STATE OF CONNECTICUT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 1998

Prepared by the Office of the State Comptroller

NANCY WYMAN
STATE COMPTROLLER

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State of Connecticut

Office of the State Comptroller

The State Comptroller is one of the six State officers elected to hold office for a term of four years. The office of the State Comptroller was established in 1786 by an act of the General Assembly. The Constitutional Amendment of 1836 provided that the Comptroller be elected by the people in a manner similar to that of other State officers. Since 1838 this method has been in effect.

The Comptroller prescribes the mode of keeping and rendering all public accounts. She is required to adjust and settle all public accounts and demands, excepting grants and orders of the General Assembly. The Comptroller also renders a monthly accounting of the State's financial condition.

In addition, the Comptroller approves and records all obligations against the State. She maintains all official accounting records and is responsible for the employee payrolls for all State agencies, departments, and institutions. Her office administers all Retirement Systems other than Teachers' retirement. Additionally, the Comptroller administers numerous miscellaneous appropriations of the State.

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STATE OF CONNECTICUT

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COMPTROLLER

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MARK OJAKIAN
DEPUTY COMPTROLLER

December 31, 1998

To the Citizens of the State of Connecticut:

I am pleased to present this Comprehensive Annual Financial Report (CAFR) of the State of Connecticut for the fiscal year ended June 30, 1998.

This report was prepared in its entirety by this office and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules, and statistical tables in it.

The CAFR is designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB) as well as the reporting requirements prescribed by the Government Finance Officers Association and the American Institute of Certified Public Accountants. We believe that this report presents fairly the financial position of the state and the results of its operations as measured by the financial activity of its various funds. The report is consistent with full disclosure so that the reader may gain maximum understanding of the state's financial affairs. The report is presented in three sections:

The Introductory Section contains this transmittal letter, a list of the state's principal elected, appointed and administrative officials, an organizational chart of the state government, and a table of contents.

The Financial Section contains the Auditors of Public Accounts' report, the general purpose financial statements which include the notes to the financial statements, and the combining and individual fund and account group financial statements.

The Statistical Section contains comprehensive statistical data and selected financial and demographic information on a multi-year basis.

THE REPORTING ENTITY

Connecticut, a state of approximately 3.3 million people in an area of 5,009 square miles, has a developed infrastructure, technologically advanced industrial base and a strong insurance and financial services industry. The State of Connecticut ratified the Constitution of the United States on January 9, 1788. It has a legislative - executive - judicial form of government with a bicameral legislature (36 Senators, 151 Representatives). The Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller, and Attorney General are independently elected for four-year terms. Senators and Representatives are elected for two-year terms.

The state provides a broad range of services including public safety, state highways and other transportation services, state parks, social services, higher education, health services, economic development, and regulatory responsibilities.

This report includes all the funds and account groups of the state as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Connecticut Lottery Corporation is reported as an enterprise fund of the primary government. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. These would include the Connecticut Development Authority, Connecticut Housing Finance Authority, Connecticut Resources Recovery Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Health and Educational Facilities Authority, and Connecticut Innovations, Incorporated.

STATE INITIATIVES

Tax Rebate and Other Tax Reductions

During 1998, the state implemented the first tax rebate program in Connecticut's history. As it became clear that the state was accumulating a significant general fund surplus for fiscal year 1998, State Comptroller Nancy Wyman proposed legislation to return the largest share of that surplus to state taxpayers. A majority of the surplus was generated by income tax receipts that exceeded budget expectations by $461.1 million. Accordingly, Comptroller Wyman's proposal returned most of the surplus windfall to residents who paid the state income tax. Comptroller Wyman's plan also set aside funds to reduce the state's growing debt burden.

A slightly altered version of the Comptroller's tax rebate plan was adopted by the state legislature (Public Act 98-110). The legislature set aside $115 million of the projected fiscal year 1998 general fund surplus for direct rebates to resident income tax payers. The maximum rebate amount was $75 for single filers, $120 for head of household filers, and $150 for joint filers. Qualified income tax filers received the lesser of their final income tax liability or the maximum rebate; however, a minimum of $50 was granted to all qualified taxpayers. The rebate checks were mailed to taxpayers in July 1998.

The rebate program reflects a continuing effort by state government to reduce the tax burden on Connecticut residents and businesses. During fiscal year 1998, new and phased-in tax reductions resulted in tax cuts of over $300 million. The corporate tax rate on net income is being phased down from a nation leading 11.5 percent to 7.5 percent by fiscal year 2000; the state income tax rate has been reduced from 4.5 percent to 3 percent at various income levels, and the property tax credit has been increased to $350; the inheritance tax will be eliminated by 2005; the sales tax on computer and data processing services, newspapers, repairs and replacement parts is being phased-out; and, the tax on gasoline has been reduced from 39 cents per gallon to 32 cents per gallon. By fiscal year 2002, these and other reductions will result in tax cuts of over $1 billion for Connecticut residents and businesses.

Year 2000 Data Processing Readiness

Connecticut state government, like the rest of the world, is attempting to accommodate and upgrade its automated data processing and technology systems for the new millennium. In general terms, the year 2000 problem arises from the present use of two digits to identify the year in a date field with the assumption that "19" will always be the first two digits of the year. Accordingly, dates used in routine processing may be misinterpreted in the year 2000. Because the state relies heavily on its computer systems and other equipment containing date-sensitive technology, failure to adapt these systems to recognize the year 2000 could interrupt critical functions of state government.

The state's Department of Information and Technology (DOIT) with outside consulting assistance is coordinating the effort to prepare state agency and related systems for the year 2000. DOIT has been assessing the state's 1500 computer systems and 40,000 personal computers to determine their year 2000 conversion requirements. It is estimated that the state cost for year 2000 conversion will total $104 million. To date $95 million of the identified funding requirement has been provided by the legislature. DOIT has categorized 770 systems as critical to state operations. As of October 31, 1998, 63 percent of the critical systems requiring

remediation had been converted, and 27 percent of the testing cycles required to validate compliance in mission critical systems had been competed. A target date of March 31, 1999 has been established for conversion and testing of all mission critical systems.

State Comptroller Nancy Wyman began work in 1995 to make the major financial and employee benefit systems under her control year 2000 compliant. The Comptroller's systems process in excess of $15 billion in financial transactions annually.

By August of 1998 a majority of the Comptroller's systems had been converted. Comptroller Wyman was able to complete the conversion work for $5 million less than the original cost estimate.

Expanding Health Insurance for Children

In recent years, despite an improving state economy, Connecticut has continued to experience growth in its uninsured population. The Census Bureau estimates that in 1997, 396,000 Connecticut residents under age 65 lacked health insurance coverage, representing 13.8 percent of the state's non-elderly population. Of this total, 93,000 were uninsured children. In response to this problem, the State Comptroller convened a task force to recommend possible solutions. The Work Group for Health Care Access issued its final report in January 1997 recommending expansion of Medicaid to cover as many of Connecticut's uninsured children as possible and improving outreach efforts to the thousands of children who are eligible, but not yet enrolled in the program.

Later in 1997, the Federal Balanced Budget Act included new funding for health coverage under the State Children's Health Insurance Program (SCHIP). Under the SCHIP provision, states were given the option of expanding Medicaid coverage for children or creating new programs within certain federal guidelines under Title XXI of the Social Security Act. Connecticut used this opportunity to create a new health insurance program called the HUSKY Plan -- Healthcare for UninSured Kids and Youth -- which was passed during the October 1997 Special Legislative Session.

The HUSKY (Title XXI) Plan began serving children July 1, 1998 and provides subsidized coverage -- cost sharing on a sliding scale -- for uninsured children who live in families that earn between 186 percent and 300 percent of the Federal Poverty Level (FPL). Families above 300 percent of the FPL can enroll children into the HUSKY program, but must pay the full premium cost. The benefit package provided is similar to the one offered to Connecticut state employees and their dependents. In addition, all children in families at or below 185 percent of the FPL are eligible for Medicaid (Title XIX) coverage, which provides a somewhat more comprehensive benefit package. For outreach and marketing purposes, however, both programs are now called "HUSKY." Medicaid is called HUSKY Part A and the new Title XXI plan is called HUSKY Part B. Outreach and marketing efforts will be coordinated for both programs and feature a single point-of-entry system.

Between July 1 and December 15, 1998, a total of 2,595 children have been approved for HUSKY Part B coverage and 2,382 have been enrolled into health plans. An additional 6,223 children have been identified as candidates for HUSKY Part A coverage (Medicaid) and their applications have been forwarded to the Department of Social Services (DSS) for processing. Of these, a total of 2,953 children have been granted eligibility, approximately 1,000 have been denied coverage and the remaining cases are pending. Presently, efforts are underway to improve enrollment by providing outreach grants to community-based organizations throughout the state. In addition, an effort is being made to simplify the application for HUSKY, which is seen by many as a barrier to entering the program.

Welfare Reform

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 fundamentally altered the federal government's approach to welfare. Previously, Connecticut received a 50 percent federal reimbursement for its expenditures under the Aid to Families with Dependent Children (AFDC) program. In its place, the welfare reforms of 1996 established a block grant, Temporary Assistance for Needy Families (TANF), designed to give states greater flexibility in providing public assistance. In contrast to AFDC, TANF benefits are limited to 5 years.

Implemented in January 1996, Connecticut's current cash assistance program for families with children, Jobs First, has a 21 month benefit limit for most recipients, although under limited circumstances extensions can be granted for six month at a time. In order to facilitate transition into the work force, Jobs First recipients who find work are entitled to keep their cash assistance, called Temporary Family Assistance, and all earnings up to the Federal Poverty Level (currently $13,650 for a family of three) for the balance of their 21 months of eligibility. Additional assets can be retained under Jobs First and there are provisions for continued child care benefits and medical assistance (Medicaid) after termination of cash assistance.

Connecticut's current TANF block grant is $266.8 million. As a condition of the grant, the state, under TANF's Maintenance of Effort (MOE) requirement, must maintain a certain spending level on welfare related programs. The basic MOE is 80 percent of federal fiscal year 1994 spending ($244.6 million) for these programs; however, since Connecticut has met the federal work participation rate established under TANF, its current MOE is only 75 percent of historical spending levels, or $183.4 million.

During fiscal year 1998, the Temporary Family assistance caseload declined dramatically, from 52,875 to 40,990. Implementation of welfare reform has coincided with a continued strong economy and it is unclear what percentage of former welfare recipients, now entering the workforce often for the first time, will remain employed in the event of an economic downturn.

OPERATING RESULTS

The fiscal year 1997-98 saw the deterioration of the state's financial condition slowed to the point where an operating surplus was realized for the first time.

- While this is the first year an operating surplus has been recorded at $7 million, there have been nine years in a row of operating deficits highlighting the state's continual reliance on debt-financing.
- Long-term obligations increased $233 million, which will have to be financed by future generations.
- Debt service, excluding the debt service on the state's Economic Recovery Notes, was 10% of governmental operating expenditures, an increase from 9.1% in the prior year. In absolute terms, such expenditures increased 15%.
- Net debt per capita, also exclusive of the Economic Recovery Notes, rose to $2,820 more than double that of fiscal 1990.
- Government expenditures showed a slight increase from 10% to 10.1% of total personal income in the state when compared to the prior fiscal year, however, in absolute terms, expenditures increased 4.7%.

GOVERNMENTAL OPERATING RESULTS*
(millions)

	FY 98	FY 97	FY 96	FY 95	FY 94
General Fund Surplus (Deficit)	$ 389	$ 252	$ 198	$ (242)	$ 51
Special Revenue Funds:					
Transportation	(25)	47	14	17	(10)
Grant and Loan Programs	(304)	(297)	(301)	(307)	(306)
Housing Programs	(31)	(44)	(36)	(32)	(54)
Other, net	(22)	(53)	(66)	(59)	(46)
Total Special Revenue Funds	(382)	(347)	(389)	(381)	(416)
Total Government Operating Surplus (Deficit)	$ 7	$ (95)	$(191)	$(623)	$(365)

*Surplus (Deficit) includes transfers and excludes proceeds from the sale of bonds and notes and capital lease obligations.

TOTAL GOVERNMENTAL REVENUE*
(millions)

	FY 98	FY 96	FY 96	FY 95	FY 94
Taxes	$ 8,130	$ 7,611	$ 7,339	$ 6,822	$ 6,437
Intergovernmental	2,854	2,783	2,830	2,734	2,641
All other	1,100	1,019	1,640	1,632	1,514
Total	$12,084	$11,413	$11,809	$11,188	$10,592
Surplus/Deficit as a Percent:					
Total Revenue	0.1%	0.8%	1.6%	5.6%	3.4%
Total Tax Revenue	0.1%	1.2%	2.6%	9.1%	5.7%

In the ten years since 1989, governmental expenditures have increased 58% while personal income increased only 47%.

GOVERNMENTAL OPERATING EXPENDITURES*
AS A PERCENT OF PERSONAL INCOME
(millions)

Fiscal Year	Expenditures	Connecticut Personal Income	Ratio
1989	$ 7,779	$ 83,420	9.3
1990	8,534	87,002	9.8
1991	8,930	87,837	10.2
1992	9,541	92,749	10.3
1993	10,494	95,588	11.0
1994	10,934	98,966	11.1
1995	11,924	104,777	11.4
1996	12,221	110,550	11.1
1997	11,751	117,564	10.0
1998	12,307	122,398 (2nd qrtr.)	10.1

* Includes general, special revenue and debt service funds. Operating expenditures also include higher education expenditures which are treated as an operating transfer out in the general fund.

Uncontrollable and fixed costs continued to consume a large share of the state's spending. Debt service, exclusive of the Economic Recovery Notes, increased to 10% of total governmental expenditures. Total debt service, including the Economic Recovery Notes, increased to 10.7% of governmental expenditures, still almost two times the ratio of fiscal year 1990. Medicaid spending rose slightly in fiscal year 1998 to $2 billion, however, it still remains at almost one-fifth of total General Fund spending. The net state share of Medicaid, after adjusting for the 50% share of federal reimbursements, was $308 for every man, woman, and child in Connecticut.

Deficit financing for operating purposes continued in fiscal year 1998. Operating deficits of $335 million were incurred in the Grant and Loan Programs and the Housing Programs special revenue funds in fiscal year 1998. This represents 23% of total special revenue funds spending. Debt financing for these and other special revenue programs was $417 million, which is approximately equal to our spending on legitimate capital needs for state facilities and infrastructure.

As a result, debt per capita, exclusive of the Economic Recovery Notes, increased to $2,820 - over twice what it was in fiscal year 1990. The remaining Economic Recovery Notes constitute an additional $24 of debt per capita.

General Fund

Fiscal year 1998 saw the state again end the year with a general fund operating surplus, the third year in a row, with revenues growing faster than expenditures.

GENERAL FUND OPERATING SURPLUS (DEFICIT)

(millions)

	FY 98	FY 97	FY 96
Surplus (Deficit) in Prior Fiscal Year	$ 252	$ 198	$(242)
Expenditures (Increases) Decreases:			
General Government	(46)	(4)	(40)
Health and Hospital	(59)	(74)	(38)
Human Services	(45)	(57)	(61)
Education, Libraries, and Museums	(74)	15	(95)
Corrections	11	(104)	(50)
Higher Education	(35)	(40)	8
Debt Service	(62)	(76)	116
Other, net	(200)	148	25
	(510)	(192)	(135)
Revenue Increases (Decreases):			
Taxes	531	223	481
Intergovernmental	61	(59)	82
Other, net	55	82	12
	647	246	575
Surplus (Deficit)	$ 389	$ 252	$ 198

Tax revenues increased 7.5% while intergovernmental revenues (grants, etc.) increased 2.4%. All expenditure categories increased except for corrections.

GENERAL FUND REVENUES
(millions)

	FY 98	FY 97	Change	FY 96
Taxes	$ 7,585	$ 7,054	$ 531	$ 6,831
Licenses, Permits, and Fees	123	125	(2)	112
Intergovernmental	2,646	2,585	61	2,644
Charges for Services	287	244	43	188
Fines, Forfeits, and Rents	34	30	4	24
Investment Earnings	53	37	16	26
Miscellaneous	117	128	(11)	129
Subtotal	10,845	10,203	642	9,954
Transfers In:				
Lottery	267	252	15	262
Other	-	10	(10)	3
	267	262	5	265
Total	$11,112	$10,465	$ 647	$10,219

As shown above, except for taxes, the net increase of other sources of revenues is relatively minor. A further analysis of the tax revenues shows that with the exception of the personal income tax and the sales and use tax, tax revenues continue to be fairly stagnant, increasing marginally or even decreasing. Revenue from the personal income tax increased by $398 million, an increase of approximately 14% while the sales and use tax increased $161 million or an increase of 6.2%.

GENERAL FUND TAX REVENUES
(millions)

	FY 98	FY 97	Change	FY 96
Personal Income	$3,197	$2,799	$398	$2,606
Sales and Use	2,759	2,598	161	2,444
Corporation	506	534	(28)	629
Public Service Corporations	170	179	(9)	192
Inheritance and Estate	259	208	51	231

Insurance Companies	183	189	(6)	167
Cigarettes and Tobacco	126	126	-	125
Real Estate Conveyance	93	75	18	65
Alcoholic Beverages	40	40	-	40
Oil Companies	61	79	(18)	68
Hospital Gross Receipts	138	173	(35)	214
Admissions, Dues, and Cabaret	25	26	(1)	23
Miscellaneous	28	28	-	27
Total	$7,585	$7,054	$531	$6,831

Except for Corrections, all functions of government showed increases in expenditures over the prior year. Medicaid expenditures continue to show slow growth but at growth rates much slower than those of the early 1990's.

MEDICAID EXPENDITURES
(millions)

1998	1997	1996	1995	1994
$2,012	$1,960	$1,908	$1,910	$1,637

GENERAL FUND EXPENDITURES
(millions)

	FY 98	FY 97	Change	FY 96
Legislative	$ 55	$ 52	$ 3	$ 48
General Government	600	554	46	550
Regulation and Protection	121	116	5	105
Conservation and Development	81	80	1	65
Health and Hospitals	952	893	59	819
Human Services*	3,541	3,496	45	3,439
Education, Libraries, and Museums	1,879	1,805	74	1,820
Corrections	932	943	(11)	839
Judicial	311	290	21	265
Federal and Other Grants	682	607	75	808
Debt Service	778	716	62	637
Subtotal	9.932	9,552	380	9,395
Transfers Out:				
Higher Education	517	482	35	442
Debt Service	86	89	(3)	92
Other	188	90	98	92
	791	661	130	626
Total	$10,723	$10,213	$510	$10,021

*Includes Medicaid expenditures.

Special Revenue Funds

Special revenue funds continue to be heavily debt-financed, suggesting that we are burdening future generations of taxpayers with the cost of current programs. Grant and loan programs and housing programs have shown operating deficits for the last five years. To the extent that loan programs result in receivables that can be counted on to mature in time to service the related debt, a case may be made that the economic benefits accrue to current and future taxpayers. Financing grants with debt, however, should be undertaken sparingly and in unusual circumstances.

SPECIAL REVENUE FUND OPERATING RESULTS
(millions)

	FY 98	FY 97	FY 96	FY 95	FY 94
Fiscal year deficits:					

Transportation	$ (25)	$ 47	$ 14	$ 17	$ (10)
Grant and Loan Programs	(304)	(297)	(301)	(307)	(306)
Housing Programs	(31)	(44)	(36)	(32)	(54)
Other, net	(22)	(53)	(66)	(59)	(46)
Deficits before proceeds from debt financing	(382)	(347)	(389)	(381)	(416)
Proceeds from debt financing	419	429	405	481	480
Surplus	$ 37	$ 82	$ 16	$ 100	$ 64

The operating deficits primarily arose in the Grant and Loan Programs Fund and the Housing Programs Fund. The Grant and Loan Fund expended $316 million in fiscal year 1998 supported by revenues of only $11 million. Bond proceeds of $292 million and fund balance resources financed the balance. The Housing Programs Fund expended $35 million in fiscal year 1998. Like the Grant and Loan Programs Fund, the balance was financed by $51 million of bond proceeds and $6 million of revenues.

Other major special revenue funds include the Transportation Fund, which is generally self-supporting. Expenditures and transfers of $1,002 million were supported by revenues of $977 million in fiscal year 1998. The fund balance of the Transportation Fund was $113 million or 11% of expenditures and transfers.

The Employment Security Administration Fund expended $103 million on administration of the unemployment compensation program, supported by a like amount of federal financial assistance.

The Environmental Programs Fund also required debt financing. Expenditures and transfers of $99 million were supported by $41 million of revenues and transfers, along with bond proceeds of $60 million and additional fund balance resources.

Capital Projects Funds

Capital spending has averaged $800 million for the past five years with most of that spending directed toward infrastructure projects. Approximately 60% of infrastructure expenditures were financed by federal aid and the balance by state debt. Unlike the deficit financing of certain special revenue funds, the debt used to finance capital construction will provide a tangible benefit to the future generation of taxpayers who will use the asset for which they will pay the debt service. In addition, these infrastructure investments improve the economic climate of the state both immediately and for many years to come.

TREND IN CAPITAL PROJECTS EXPENDITURES
(millions)

Fiscal Year	State Facilities	Infrastructure	Transportation	Total
1998	$165	$479	$43	$687
1997	178	598	25	801
1996	143	533	14	690
1995	286	668	3	957
1994	170	699	1	870

Expendable Trust Funds

The Employment Security Fund continues to have a growing fund balance with expenditures (unemployment compensation claims) the lowest in five years.

EMPLOYMENT SECURITY FUND
(millions)

Fiscal Year	Revenues	Expenditures	Surplus (Deficit)	Fund Balance
1998	$ 658	$382	$276	$739
1997	635	411	224	463

1996	590	478	112	239
1995	559	484	75	127
1994	1,400	619	781	52

Pension Trust Funds

Net assets of the pension trust funds increased 15.6% for 1998. The State Employees' Retirement System (SERS), by far the largest pension fund for state employees (the Teachers' Retirement System primarily serves municipal employees), funded status increased to 58.1% as of fiscal year 1998 as compared to 51.4% as of fiscal year 1994. The Teachers' Retirement System (TRS) funded status increased from 66.6% to 69.1%, and the Judicial Retirement System (JRS) from 40.5% to 52.4% respectively.

PENSION FUNDED STATUS

	FY 98	FY 97	FY 96	FY 95	FY 94
SERS	58.1%	56.6%	53.7%	53.8%	51.4%
TRS	69.1	69.1	68.1	68.1	66.6
JRS	52.4	48.2	45.6	42.7	40.5

Enterprise Funds

Two major changes to the enterprise funds combined financial statements occurred in fiscal year 1997. The Connecticut Lottery Corporation was created by the legislature as a public instrumentality and political subdivision of the state and was, accordingly, added to the enterprise fund category. Secondly, the John Dempsey Hospital Fund was reclassified out of the higher education funds group after it was determined that the fund was better suited to enterprise fund type accounting. The largest fund, the Connecticut Lottery Corporation, continues to provide substantial support to the General Fund with revenues of $806 million providing $267 million to the General Fund after prizes and expenses of $549 million.

ENTERPRISE FUNDS
(millions)

Fiscal	Operations			Nonoperating	Net Income	Retained
Year	Revenue	Expenses	Net	Net	(Loss)	Earnings
1998	$963	$712	$251	$(247)	$ 4	$166
1997	938	681	257	(244)	13	162

Higher Education

Expenditures grew at a rate of 7.5% in fiscal year 1998, with State support keeping pace. Total revenues increased 11% over fiscal year 1997 with Federal and State Grants and Patient Services showing the biggest increases.

TRENDS IN HIGHER EDUCATION
CURRENT FUNDS
(millions)

	FY 98	FY 97	FY 96	FY 95	FY 94
Revenues:					
Tuition and Fees	$ 257	$ 250	$ 233	$ 260	$ 215
Federal and State Grants	134	108	115	93	96
Private Gifts	24	27	21	31	29
Patient Services	83	50	56	55	49
Sales and Service	143	143	130	104	143
Other	45	40	45	55	37
Total	686	618	600	598	569
Expenditures and Transfers					
Education and General	983	932	903	889	777

Patient Care	86	50	48	50	45
Auxiliary Enterprises	94	101	98	79	104
Other	5	4	4	20	15
Total	1,168	1,087	1,053	1,038	941
Net before State support	(482)	(469)	(453)	(440)	(372)
State support	517	473	442	450	364
Net	$ 35	$ 4	$ (11)	$ 10	$ (8)
Tuition and fees as a percent of total expenditures and transfers	22.0%	23.0%	22.1%	25.0%	22.8%
State support as a percent of total expenditures and transfers	44.3%	43.5%	42.0%	43.4%	38.7%

Debt Administration

State general obligation bonds are rated Aa3, AA, and AA by Moody's, Standard and Poor's, and Fitch IBCA, respectively, while transportation-related special tax obligation bonds are currently rated A1, AA-, and AA-, respectively.

The state issued approximately $.8 billion of bonds in fiscal year 1998, a decrease from the past two fiscal years. To the extent this bonding is for infrastructure or other assets benefiting future taxpayers, the debt is fully justifiable. The continued increase in the debt burden, however, particularly that portion that is used to finance current programs, bodes ill for the future. It means that future generations will pay for the sins of the past. And it means that the state will have reduced flexibility in future budgets, which will now be burdened by higher fixed costs for debt service.

DEBT ISSUANCES
(millions)

	FY 98		FY 97		FY 96	
Special Revenue Funds:						
Grant and Loan Programs	$291	34.7%	$324	37.3%	$ 289	25.6%
Environmental Programs	60	7.1	28	3.3	64	5.7
Housing Programs	51	6.1	35	4.0	31	2.7
Other	15	1.8	42	4.8	21	1.9
	417	49.7	429	49.4	405	35.9
Capital Project/Debt Service Funds:						
State Facilities/UCONN 2000	262	31.2	290	33.4	398	35.3
Infrastructure/Debt Service	160	19.1	150	17.2	325	28.8
	422	50.3	440	50.6	723	64.1
Subtotal	839	100.0%	869	100.0%	1,128	100.0%
General Fund (Economic Recovery Notes)	____-		____-			236
Total Governmental	$839		$869		$1,364	

Debt service as a percent of government operations, excluding debt service on the Economic Recovery Notes, has increased to 10.0% as compared to 7.2% from only five years ago.

DEBT SERVICE AS A PERCENT OF
GOVERNMENTAL OPERATING EXPENDITURES
(millions)

	FY 98	FY 97	FY 96	FY 95	FY 94
Debt Service (Bonded):					
Principal	$ 732	$ 598	$ 523	$ 561	$ 405
Interest	500	471	449	438	388
	$ 1,232	$ 1,069	$ 972	$ 999	$ 793
Debt Service (Economic Recovery Notes):					
Principal	$ 79	$ 79	$ 316	$ 240	$ 150

Interest	7	10	17	24	30
	$ 86	$ 89	$ 333	$ 264	$ 180
Governmental Operating Expenditures	$12,307	$11,751	$12,221	$11,924	$10,934
Debt Service as a Percent of Governmental Operating Expenditures:					
Bonded	10.0%	9.1%	8.0%	8.4%	7.2%
Including Economic Recovery Notes	10.7%	9.9%	10.7%	10.6%	8.9%

Net state debt slowly increased .8% to $9.3 billion from $9.2 billion in fiscal year 1997. Net State debt has more than doubled since fiscal year 1990.

NET STATE DEBT
(millions)

	FY 98	FY 97	FY 96	FY 95	FY 94
Debt Outstanding (June 30):					
General Obligation Bonds	$6,585	$6,339	$6,000	$5,525	$5,063
Transportation Bonds	3,134	3,210	3,201	2,991	2,865
Notes	78	157	236	316	556
	9,797	9,706	9,437	8,832	8,484
Debt Service Fund	(498)	(477)	(456)	(420)	(490)
Net Debt, End of Year	$9,299	$9,229	$8,981	$8,412	$7,994
Changes in Net Debt:					
Net Debt, Beginning of Year	$9,229	$8,981	$8,412	$7,994	$7,659
Redemptions - Bonds	(732)	(598)	(523)	(561)	(405)
Redemptions - Notes	(79)	(79)	(316)	(240)	(150)
Issuances - Bonds	839	869	1,128	1,079	1,063
Issuances - Notes	-	-	236	-	-
Refundings - Issued	536	161	221	53	506
Refundings - Defeased	(522)	(157)	(209)	(49)	(438)
Accretion and Other	49	73	68	66	(184)
Debt Service Fund Decrease (Increase)	(21)	(21)	(36)	70	(57)
Net Debt, End of Year	$9,299	$9,229	$8,981	$8,412	$7,994

Debt per capita has more than doubled to $2,820 from $1,204 in fiscal year 1990. Bonded debt is the primary focus of most analyses but it is only half the amount of incurred long-term obligations that will need to be paid by future generations of taxpayers. Long-term obligations also include capital leases; compensated absences that were earned by employees in past periods but which will be paid by future generations; workers' compensation claims, which arose from past events but will be settled in future periods; and the unfunded actuarial accrued liability, which represents the value of pension benefits earned by employees but which is not funded currently. The total of these obligations increased $233 million in fiscal year 1998.

NET DEBT PER CAPITA*

FY 98	FY 97	FY 96	FY 95	FY 94
$2,820	$2,774	$2,677	$2,478	$2,275

*Exclusive of Economic Recovery Notes.

TRENDS IN SELECTED LONG TERM DEBT
(millions)

	FY 98	FY 97	FY 96	FY 95	FY 94
Net Bonded Debt	$ 9,299	$ 9,229	$ 8,981	$ 8,412	$ 7,994
Capital Leases	48	49	54	56	55
Compensated Absences	264	260	262	257	267
Workers Compensation	279	283	268	287	295
Subtotal	9,890	9,821	9,565	9,012	8,611

Unfunded Actuarial Accrued Liability	6,761	6,597	6,334	6,090	6,008
Total	$16,651	$16,418	$15,899	$15,102	$14,619

Internal Controls

Elected officials, agency commissioners, directors of public benefit corporations and agency managers are responsible for establishing internal control structures. Good internal controls are essential to achieving the proper conduct of government business with full accountability. This means that:

- resource use is consistent with laws, regulations and policies;
- resources are safeguarded against waste, loss and misuse; and
- reliable data are obtained, maintained and fairly disclosed in reports.

Good internal controls also facilitate the achievement of management objectives. In achieving these goals, good internal controls must strike a balance, providing reasonable, not absolute assurance. This recognizes that costs should not exceed benefits, nor should controls negatively impact operations.

Good internal control is comprised of the following elements:

- Control Environment - which reflects the overall attitude, awareness, and actions of elected officials or agency managers concerning the importance of control and its emphasis in state government (i.e. What is the tone at the top?)
- Accounting System - which consists of the methods and records established to identify, assemble, analyze, classify, record, and report transactions and to maintain accountability over state resources.
- Control Procedures - which includes those procedures that elected officials and management have established to provide reasonable assurance that specific objectives are being achieved.

This office has been making consistent efforts to improve the overall internal control in state government and simultaneously to give managers authority commensurate with their responsibilities.

Budgetary Controls

The key control mechanism of government finance is the budget. The Government Accounting Standards Board (GASB) has concluded that, "The budgetary process, including comparison of the approved budget with actual experience, is... a major aspect of accountability." The budget is more than just an aspect of accountability, however, it is also:

- An expression of public policy that identifies that activity or program to be carried out, the amounts that may be expended for these purposes, and the time period in which these are to occur.
- A financial plan, or expression of financial intent. For example, what are the expected sources of financing for these programs - who bears the burden of paying for them?
- A form of control usually having the force of law.

Budget control is maintained at the individual appropriation account level by agency as established in authorized bills. Control over the obligation is exercised by the allotment process. Funds, both for budgeted and non-budgeted funds, are allotted by the Governor through the Office of Policy and Management. The Governor is further allowed to modify the allotments up to 3% of the fund or 5% of the appropriation amount. Modifications beyond those limits, but not in excess of 5% of the total funds, require the approval of the Finance Advisory Committee, which is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same party, and three house members, not more than two of the same political party.

Cash and Investments Management

The State Treasurer continually monitors cash flow to maximize the utilization of cash resources. During the year, temporary balances are invested in the State's short-term investment fund, a money market investment pool

whose investments consist of certificates of deposit, bankers' acceptances, commercial paper, repurchase agreements, federal agency securities, and other investments with various ranges of maturities. The investment income and average yield rate for the fiscal year 1997-98 for this fund was approximately $174 million and 5.82%, respectively. By comparison, 90-day Treasury Bills and 90-day Certificates of Deposit earned 5.17% and 5.62%, respectively, during the same time period.

Bank balances at June 30, 1998, were $139 million of which about fifty-six percent was not insured or protected by collateral.

Risk Management

The state retains risk for certain property and liability claims, including workers' compensation. The State Insurance Purchasing Board serves as the focal point of risk management and insurance matters, maintaining a balance of commercially placed coverage and risk retention to provide optimal coverage at minimal cost.

ECONOMIC CONDITION AND OUTLOOK

Connecticut entered into a long period of recession during the winter of 1989. The recession officially ended in December 1992 after claiming 158,200 jobs. Connecticut's recovery began slowly with little employment growth between 1993 and 1995. Beginning in 1996, there were signs that the state's economy was gathering significant strength. Today, Connecticut has regained over 80 percent of the jobs lost to recession, and has posted strong income gains. During the course of the recovery, Connecticut's economy has become increasingly diversified with much of its employment growth coming from medium and small businesses in the service industries (business and personal services, health, legal, private educational, etc.) rather than from large manufacturing concerns and the insurance industry. Exports have also played a major role in this expansion.

While most of the state's economic news is good, there continue to be areas of concern: inflation adjusted median household income, although increasing, remains 25 percent below the peak level achieved in 1989; unemployment in the state's urban areas is almost double the rate for the state as a whole; child poverty is increasing at an alarming rate; and, Connecticut ranks as one of the top five states in income inequality. Failure to address these structural imbalances in the state economy could compromise future economic growth.

According to a report by the New England Economic Project, Connecticut, like the nation, will experience steady but slower economic growth in the coming years. The economic fundamentals in the state are expected to remain sound; however, risks associated with national and world economic events reduce the potential for above average growth.

Employment

- In 1997, seasonally adjusted non-farm payroll employment grew 2.5 percent in the state. This represents the strongest rate of growth in more than a decade. Through October 1998, employment growth slowed to 1.4 percent on an annualized basis.
- Between 1991 and 1995, Connecticut's labor force lost 140,000 workers, which was associated with a large negative net migration during the period. Over the past several years the state's labor force has stabilized, but has failed to grow.
- Connecticut's unemployment rated dipped to 3.8 percent in October 1998, which is well below the national level of 4.6 percent for the period.
- Over the past ten years, manufacturing's share of total state employment has slipped from 18.6 percent in 1988 to 14.1 percent in 1997. The employment share of the finance, insurance and real estate industry has declined from 11.6 percent to 9.5 percent during the period. These declines have been offset by employment share growth in the services sector, which accounted for 27.1 percent of all employment in 1988 and 34.4 percent of the total in 1997.
- The fastest growing occupations in Connecticut are as follows: computer engineer; systems analyst; sales agent (securities and financial); physical therapist; human services; and, home health aides.

- The fastest growing industries are as follows: securities services; amusement and recreational services; hotel and lodging; social services; business services; and, general building contractors.

Income

- Connecticut continues to lead the nation in per capita income with a 1997 level of $35,954. The state also experienced the strongest per capita income growth rate in the country at 6.3 percent for 1997.
- Connecticut's per capita income exceeds that of the nation by 42.1 percent, and is 18.1 percent above New England's per capita income level.
- Average earnings per job in Connecticut increased by 5.3 percent in 1997 to a total of $39,435. This is the best rate of earnings growth since 1989.
- Inflation adjusted median household income grew by 2.1 percent in 1997 to $43,985; however, this is 25 percent below the peak level achieved in 1989.
- Almost half of the state's total earnings come from the services and manufacturing sectors. Although the finance, insurance and real estate (FIRE) sector has declined in its share of total state employment, the share of total earnings that it contributes has increased from 11.5 percent in 1988 to 13.6 percent in 1997. This places the FIRE sector as the third largest contributor to total state earnings.

Other Indicators

- In 1997, Connecticut exports grew 14 percent from the prior year to $7.8 billion, which is about 6 percent of Gross State Product. This was the largest increase in exports since 1990. Export results for the first half of 1998 showed little growth, primarily due to the financial crisis in Asia.
- New auto registrations expanded 21.5 percent between 1996 and 1997. Solid growth has continued into the first half of 1998.
- New housing permits have been trending upward since 1996. In 1997, permits increased 5.6 percent over the prior year. Monthly increases have been strong for 1998. In October 1998, new housing permits increased 20.3 percent over the same month the previous year.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Connecticut for its comprehensive annual financial report for the fiscal year ended June 30, 1997. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State of Connecticut has received a Certificate of Achievement for the last nine consecutive years (fiscal years ended 1989-1997). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Independent Audit

The Auditors of Public Accounts, who report to the legislature and are independent of the executive Branch, have audited the accompanying financial statements in accordance with generally accepted auditing standards and their opinion has been included in this report.

ACKNOWLEDGMENTS

I wish to express my appreciation to the many individuals in all agencies whose cooperation and assistance has made this report possible. In addition, the efforts of the GAAP Reporting Unit and others in our Budget and Financial analysis Division deserve special acknowledgment.

Sincerely,

Nancy Wyman
State Comptroller

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State of Connecticut

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Connecticut

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) acheive the highest standards in government accounting and financial reporting.

Douglas R Ellsworth
President

Jeffrey L. Esser
Executive Director

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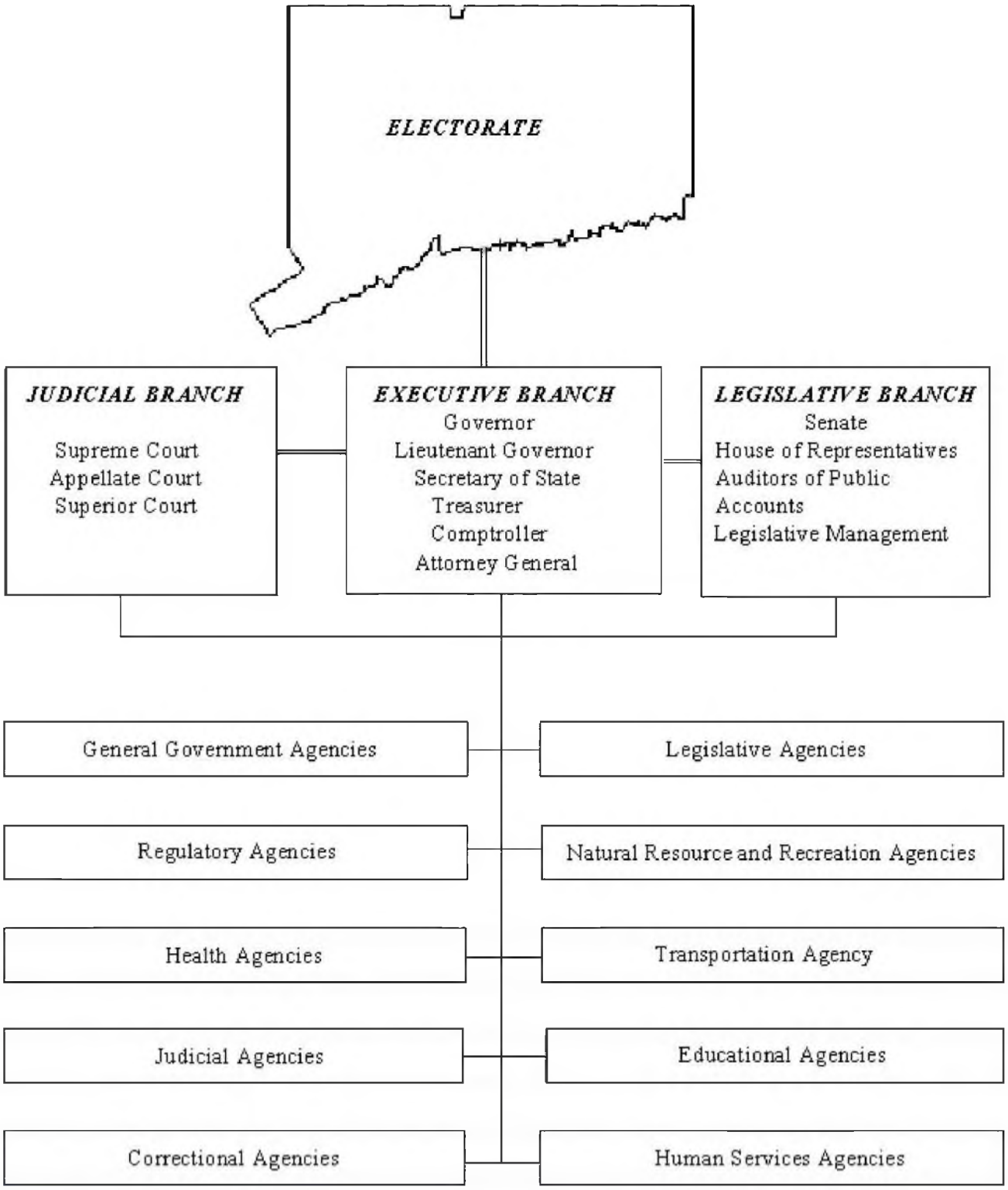
State of Connecticut

Organization Chart



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State of Connecticut

Selected State Officials (as of June 30, 1998)

EXECUTIVE

John G. Rowland
Governor

M. Jodi Rell
Lieutenant Governor

Miles S. Rapoport
Secretary of State

Paul J. Silvester
Treasurer

Nancy Wyman
Comptroller

Richard Blumenthal
Attorney General

JUDICIAL

Robert J. Callahan
Chief Justice

LEGISLATIVE

Kevin B. Sullivan
President Pro Tempore of the State Senate
(36 Senators)

Thomas D. Ritter
Speaker of the House of Representatives
(151 Representatives)

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STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor John G. Rowland
Members of the General Assembly

We have audited the accompanying general purpose financial statements of the State of Connecticut as of and for the year ended June 30, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Special Transportation Fund accounts within the Transportation Fund, which represent 14 percent and 77 percent, respectively, of the assets and revenues of the Special Revenue Funds; we did not audit the financial statements of the Transportation Special Tax Obligations Fund, which represent 100 percent and 99 percent, respectively, of the assets and revenues of the Debt Service Funds; we did not audit the financial statements of the Bradley International Airport, the Connecticut Lottery Corporation, or the John Dempsey Hospital Fund, which represent 86 percent and 99 percent, respectively, of the assets and revenues of the Enterprise Funds; we did not audit the financial statements of the Clean Water Fund, which represent four percent and one percent, respectively, of the assets and revenues of the Trust and Agency Funds; we did not audit the financial statements of the Connecticut Housing Finance Authority, the Connecticut Resources Recovery Authority, the Connecticut Development Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, and Connecticut Innovations Incorporated, which represent 100 percent of the assets and revenues of the Component Unit Funds; and, we did not audit the financial statements of the Connecticut State University or the University of Connecticut Foundation, which represent 35 percent and 38 percent, respectively, of the assets and revenues of the Higher Education and University Hospital Funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based solely on the reports of other auditors. All of the aforementioned audits were conducted in accordance with generally accepted auditing standards. In addition, the audits of the Connecticut Resources Recovery Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, Connecticut Development Authority, Connecticut Lottery Corporation, Connecticut Innovations Incorporated, and Clean Water Fund, were conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that the audits of certain component units of the State, as described above, were not conducted in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues,* requires disclosure of certain matters regarding the year 2000 issue. The State of Connecticut has included such disclosures in Note 25. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the State of Connecticut's disclosures with respect to the year 2000 issue made in Note 25. Further, we do not provide assurance that the State of Connecticut is or will be year 2000 ready, that the State of Connecticut's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the State of Connecticut does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, and based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut as of June 30, 1998, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 31, 1998, on our consideration of the State of Connecticut's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in Note 23 to the financial statements, the State of Connecticut is a defendant in certain legal proceedings. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the State of Connecticut taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

The data in the statistical section listed in the table of contents was not audited by us and, accordingly, we express no opinion thereon.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 31, 1998
State Capitol
Hartford, Connecticut

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State of Connecticut

Combined Balance Sheet
All Fund Types, Account Groups, and
Discretely Presented Component Units

June 30, 1998
(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits:						
Cash and Cash Equivalents	$ 445,579	$ 436,681	$ 1	$ 98,957	$ 59,943	$ 7,012
Investments:						
Equity in Combined Investment Funds	-	-	-	-	-	-
External Investment Pool	-	-	-	-	-	-
Other	44,250	23,160	-	-	653,269	-
Securities Lending Collateral.	-	-	-	-	-	-
Receivables:						
Taxes	470,913	44,859	-	-	-	-
Accounts, Net of Allowances	385,973	5,643	17	1,014	48,157	4,924
Tuition	-	-	-	-	-	-
Loans, Net of Allowances	-	405,256	-	-	88,989	-
Interest	693	503	5,352	-	26,284	-
Notes Receivable	-	-	-	-	-	-
Federal Grants Receivable	74,953	9,253	-	11,973	-	-
Non-Federal Grants Receivable	1,484	21,726	-	-	-	-
Deposits with U.S. Treasury	-	-	-	-	-	-
Due From Other Funds	18,222	17,282	-	8,918	1,467	3,362
Due From Component Units	-	-	-	-	-	-
Due From Primary Government	-	-	-	-	-	-
Receivable From Other Governments	355,892	16,520	-	40,705	394	-
Inventories and Prepaid Items	34,291	11,730	-	-	3,296	3,221
Restricted Assets	-	-	500,213	-	73,674	-
Property, Plant & Equipment	-	-	-	-	194,367	38,083
Other Assets	-	-	-	-	10,185	862
Other Debits:						
Amount Available in Debt Service Fund	-	-	-	-	-	-
Amount to be Provided For Debt Retirement	-	-	-	-	-	-
Total Assets and Other Debits	$ 1,832,250	$ 992,613	$ 505,583	$ 161,567	$ 1,160,025	$ 57,464
	-	-	-	-	-	-
Liabilities, Equity and Other Credits:						
Liabilities:						
Accounts Payable and Accrued Liabilities	$ 779,744	$ 51,353	$ -	$ 79,662	$ 672,360	$ 3,842
Due To Other Funds.	70,278	3,601	5,352	3,260	12,111	1,519
Due To Primary Government	-	-	-	-	-	-
Due To Component Units	47	14,064	-	-	-	-
Payable To Other Governments	90,686	-	-	-	-	-
Deferred Revenue	412,059	29,567	1,813	3,124	667	-
Escrow Deposits	-	-	-	-	-	-
Notes and Loans Payable	-	-	-	-	-	-
Deferred Compensation Liability	-	-	-	-	-	-
Securities Lending Obligation	-	-	-	-	-	-

Agency Deposit Liabilities	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-
Transportation Related Bonds	-	-	-	-	-	-
Expendable Trust Fund Obligations	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	197,841	-
Capital Leases	-	-	-	-	-	-
Claims and Judgements	-	-	-	-	-	-
Compensated Absences	-	-	-	-	32	2,821
Unfunded Pension Costs	-	-	-	-	-	-
Workers Compensation Liability	-	-	-	-	-	-
Liability for Landfill Closure Costs	-	-	-	-	-	-
Amount Held for Institutions	-	-	-	-	-	-
Liability for Escheat Property	35,309	-	-	-	-	-
Malpractice Liability	-	-	-	-	8,434	-
Total Liabilities	1,388,123	98,585	7,165	86,046	891,445	8,182
Equity and Other Credits:						
Investment in Fixed Assets	-	-	-	-	-	-
Contributed Capital	-	-	-	-	102,104	6,830
Retained Earnings:						
Reserved	-	-	-	-	29,467	-
Unreserved	-	-	-	-	137,009	42,452
Fund Balances:						
Reserved	1,138,435	508,058	498,418	-	-	-
Unreserved, undesignated	(694,308)	385,970	-	75,521	-	-
Total Equity and Other Credits	444,127	894,028	498,418	75,521	268,580	49,282
Total Liabilities, Equity and Other Credits	$ 1,832,250	$ 992,613	$ 505,583	$ 161,567	$ 1,160,025	$ 57,464

	Fiduciary Fund Types	**Account Groups**			**Total Primary Government (Memorandum only)**		**Total Reporting Entity (Memorandum only)**
	Trust and Agency	**General Fixed Assets**	**General Long-Term Debt**	**Higher Education Funds**		**Component Units**	
Assets and Other Debits:							
Cash and Cash Equivalents	$ 219,884	$ -	$ -	$ 381,789	$ 1,649,846	$ 266,843	$ 1,916,689
Investments:							
Equity in Combined Investment Funds	18,373,627	-	-	541	18,374,168	-	18,374,168
External Investment Pool	959,872	-	-	-	959,872	-	959,872
Other	789,337	-	-	147,836	1,657,852	486,645	2,144,497
Securities Lending Collateral.	1,689,368	-		-	1,689,368	-	1,689,368
Receivables:							
Taxes	-	-	-	-	515,772	-	515,772
Accounts, Net of Allowances	29,703	-	-	69,928	545,359	11,090	556,449
Tuition	-	-	-	10,822	10,822	-	10,822
Loans, Net of Allowances	437,642	-	-	29,298	961,185	2,943,094	3,904,279
Interest	15,496	-	-	192	48,520	46,947	95,467
Notes Receivable	-	-	-	-	-	590	590
Federal Grants Receivable	16	-	-	-	96,195	-	96,195
Non-Federal Grants Receivable	-	-	-	-	23,210	-	23,210
Deposits with U.S. Treasury	740,135	-	-	-	740,135	-	740,135
Due From Other Funds	11,991	-	-	58,396	119,638	<-	119,638
Due From Component Units	-	-	-	59,961	59,961	-	59,961
Due From Primary Government	-	-	-	-	-	91,631	91,631
Receivable From Other Governments	9,157	-	-	-	422,668	-	422,668
Inventories and Prepaid Items	4,209	-	-	9,646	66,393	1,663	68,056

Restricted Assets	375,473	-	-	-	949,360	3,834,936	4,784,296
Property, Plant & Equipment	<-	3,993,921	-	1,758,401	5,984,772	250,313	6,235,085
Other Assets	521,014	-	-	7,470	539,531	83,508	623,039
Other Debits:							
Amount Available in Debt Service Fund	-	-	498,418	-	498,418	-	498,418
Amount to be Provided For Debt Retirement	-	-	13,385,849	-	13,385,849	-	13,385,849
Total Assets and Other Debits	**$ 24,176,924**	**$ 3,993,921**	**$ 13,884,267**	**$ 2,534,280**	**$ 49,298,894**	**$ 8,017,260**	**$ 57,316,154**
Liabilities, Equity and Other Credits:							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 39,472	$ -	$ -	$ 130,079	$ 1,756,512	139,507	$ 1,896,019
Due To Other Funds.	19,512	-	-	7,834	123,467	-	123,467
Due To Primary Government	-	-	-	-	-	59,961	59,961
Due To Component Units	-	-	-	77,520	91,631	-	91,631
Payable To Other Governments	162	-	-	-	90,848	-	90,848
Deferred Revenue	8,610	-	-	40,133	495,973	8,382	504,355
Escrow Deposits	-	-	-	-	-	92,137	92,137
Notes and Loans Payable	-	-	78,055	4,565	82,620	3,000	85,620
Deferred Compensation Liability	622,199	-	-	-	622,199	-	622,199
Securities Lending Obligation	1,689,368	-	-	-	1,689,368	-	1,689,368
Agency Deposit Liabilities	653,981	-	-	6,057	660,038	-	660,038
General Obligation Bonds	-	-	6,585,094	-	6,585,094	-	6,585,094
Transportation Related Bonds	-	-	3,134,142	-	3,134,142	-	3,134,142
Expendable Trust Fund Obligations	-	-	875,815	-	875,815	-	875,815
Revenue Bonds	469,244	-	-	128,724	795,809	6,439,079	7,234,888
Capital Leases	-	-	48,218	<-	48,218	-	48,218
Claims and Judgements	-	-	9,529	-	9,529	-	9,529
Compensated Absences	-	-	263,751	75,480	342,084	-	342,084
Unfunded Pension Costs	-	-	2,610,736	-	2,610,736	-	2,610,736
Workers Compensation Liability	-	-	278,927	-	278,927	-	278,927
Liability for Landfill Closure Costs	-	-	-	-	-	22,513	22,513
Amount Held for Institutions	-	-	-	-	-	544,942	544,942
Liability for Escheat Property	-	-	-	-	35,309	-	35,309
Malpractice Liability	-	-	-	-	8,434	-	8,434
Total Liabilities	3,502,548	-	13,884,267	470,392	20,336,753	7,309,521	27,646,274
Equity and Other Credits:							
Investment in Fixed Assets	-	3,993,921	-	1,617,930	5,611,851	-	5,611,851
Contributed Capital	-	-	-	-	108,934	242,077	351,011
Retained Earnings:							
Reserved	-	-	-	<-	29,467	407,066	436,533
Unreserved	-	-	-	-	179,461	58,596	238,057
Fund Balances:							
Reserved	19,669,292	-	-	276,751	22,090,954	-	22,090,954
Unreserved, undesignated	1,005,084	-	-	169,207	941,474	-	941,474
Total Equity and Other Credits	20,674,376	3,993,921	-	2,063,888	28,962,141	707,739	29,669,880
Total Liabilities, Equity and Other Credits	**$ 24,176,924**	**$ 3,993,921**	**$ 13,884,267**	**$ 2,534,280**	**$ 49,298,894**	**$ 8,017,260**	**$ 57,316,154**

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Governmental Fund Types				Fiduciary Fund Type	Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum only)
Revenues:						
Taxes	$ 7,584,919	$ 545,339	$ -	$ -	$ 618,778	$ 8,749,036
Licenses, Permits and Fees	123,192	348,804	-	-	-	471,996
Intergovernmental	2,646,342	207,458	-	320,042	-	3,173,842
Charges for Services	287,182	25,727	-	-	-	312,909
Fines, Forfeits and Rents	33,947	1,072	-	-	-	35,019
Health Insurance Contributions	-	-	-	-	27,308	27,308
Investment Earnings	52,812	17,066	36,162	-	54,969	161,009
Assessments	-	-	-	-	252,362	252,362
Miscellaneous	117,288	56,361	-	724	903	175,276
Total Revenues	**10,845,682**	**1,201,827**	**36,162**	**320,766**	**954,320**	**13,358,757**
Expenditures:						
Current:						
Legislative	54,860	38	-	-	-	54,898
General Government	600,243	183,622	-	-	9,481	793,346
Regulation and Protection	121,342	296,195	-	-	537,358	954,895
Conservation and Development	81,344	181,983	-	-	-	263,327
Health and Hospitals	952,016	3,643	-	-	-	955,659
Transportation	-	342,637	-	-	-	342,637
Human Services	3,541,192	12,673	-	-	-	3,553,865
Education, Libraries and Museums	1,879,329	184,930	-	-	-	2,064,259
Health Insurance Payments	-	-	-	-	31,605	31,605
Corrections	931,791	3,591	-	-	-	935,382
Judicial	310,438	10,289	-	-	-	320,727
Federal and Other Grants	681,407	98,263	-	-	-	779,670
Capital Projects	-	-	-	687,055	-	687,055
Debt Service:						
Principal Retirement	494,012	86,156	230,800	-	158,690	969,658
Interest and Fiscal Charges	283,635	47,492	176,170	-	44,218	551,515
Total Expenditures	**9,931,609**	**1,451,512**	**406,970**	**687,055**	**781,352**	**13,258,498**
Excess (Deficiency) of Revenues Over Expenditures	**914,073**	**(249,685)**	**(370,808)**	**(366,289)**	**172,968**	**100,259**
Other Financing Sources (Uses):						
Proceeds from Sale of Bonds and Notes	-	417,331	12,182	309,510	80,000	819,023
Operating Transfers In	266,719	222,751	410,141	-	17,200	916,811
Operating Transfers Out	(791,422)	(355,293)	(32,627)	(178,215)	(21,757)	(1,379,314)
Capital Lease Obligations	1,388	2,167	-	3	-	3,558
Proceeds of Refunding Bonds	-	-	561,149	-	-	561,149
Payment to Refunded Bond Escrow Agent	-	-	(558,350)	-	-	(558,350)
Total Other Financing Sources (Uses)	(523,315)	286,956	392,495	131,298	75,443	362,877
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	390,758	37,271	21,687	(234,991)	248,411	463,136

Fund Balances (deficit) - July 1 (as restated)	51,750	858,639	476,731	310,512	689,812	2,387,444
Equity Transfer to Component Units Contributed Capital	-	(2,325)	-	-	-	(2,325)
Changes in Reserves for Inventories	1,619	443	-	-	-	2,062
Fund Balances (deficit) - June 30	**$ 444,127**	**$ 894,028**	**$ 498,418**	**$ 75,521**	**$ 938,223**	**$ 2,850,317**

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
General Fund and Budgeted Special Revenue Funds
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	General Fund			Budgeted Special Revenue Funds		
	Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
Revenues:						
Budgeted						
Taxes, Net of Refunds	$ 7,604,900	$ 7,609,914	$ 5,014	$ 524,200	$ 523,915	$ (285)
Operating Transfers In	270,400	267,323	(3,077)	183,000	183,015	15
Indian Gaming Payments	257,600	257,576	(24)	308,200	307,471	(729)
Licenses, Permits, and Fees	122,500	123,156	656	92,750	86,357	(6,393)
Other	237,600	239,677	2,077	3,100	3,115	15
Federal Grants.	1,824,600	1,824,595	(5)	(250)	(250)	-
Operating Transfers Out	(180,000)	(180,000)	-	-	-	-
Total Budgeted	10,137,600	10,142,241	4,641	1,111,000	1,103,623	(7,377)
Federal and Other Restricted	1,283,696	779,951	(503,745)	378,278	179,412	(198,866)
Total Revenues	11,421,296	10,922,192	(499,104)	1,489,278	1,283,035	(206,243)
Expenditures:						
Budgeted						
Legislative	47,453	41,793	5,660	-	-	-
General Government	607,244	404,280	202,964	2,448	1,903	545
Regulation and Protection	105,952	90,207	15,745	161,186	146,676	14,510
Conservation and Developmen	67,379	62,155	5,224	629	576	53
Health and Hospitals	857,165	817,777	39,388	-	-	-
Transportation	-	-	-	309,682	284,111	25,571
Human Services	3,396,470	3,371,318	25,152	3,145	2,840	305
Education, Libraries, and Museums	2,267,538	2,240,437	27,101	-	-	-
Corrections	787,205	762,917	24,288	-	-	-
Judicial.	241,392	232,340	9,052	-	-	-
Non Functional.	1,774,365	1,626,622	147,743	615,873	562,876	52,997
Total Budgeted	10,152,163	9,649,846	502,317	1,092,963	998,982	93,981
Federal and Other Restricted	1,283,696	779,951	503,745	378,278	179,412	198,866
Total Expenditures	11,435,859	10,429,797	1,006,062	1,471,241	1,178,394	292,847
Appropriations Lapsed	128,199	-	(128,199)	37,868	-	(37,868)
Excess (Deficiency) of Revenues Over Expenditures	113,636	492,395	378,759	55,905	104,641	48,736
Other Financing Sources (Uses):						
Prior Year Appropriations Carried Forward	193,598	193,598	-	21,489	21,489	-
Appropriations Continued to Fiscal Year 1998-99.	-	(374,118)	(374,118)	-	(49,885)	(49,885)
Transfers Between Funds	-	-	-	-	-	-
Miscellaneous Adjustments	-	1,036	1,036	86	346	260
Total Other Financing Sources (Uses)	**193,598**	**(179,484)**	**(373,082)**	**21,575**	**(28,050)**	**(49,625)**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	**$ 307,234**	**312,911**	**$ 5,677**	**$ 77,480**	**76,591**	**$ (889)**
Budgetary Fund Balances (deficit) - July 1		**870,014**			**382,512**	
Changes in Reserves		**7,115**			**(83,776)**	
Budgetary Fund Balances - June 30		**$ 1,190,040**			**$ 375,327**	

	(Total Memorandum Only)		
	Budget	**Actual**	**Variance**
Revenues:			
Budgeted			
Taxes, Net of Refunds	$ 8,129,100	$ 8,133,829	$ 4,729
Operating Transfers In	453,400	450,338	(3,062)
Indian Gaming Payments	565,800	565,047	(753)
Licenses, Permits, and Fees	215,250	209,513	(5,737)
Other	240,700	242,792	2,092
Federal Grants.	1,824,350	1,824,345	(5)
Operating Transfers Out	(180,000)	(180,000)	-
Total Budgeted	11,248,600	11,245,864	(2,736)
Federal and Other Restricted	1,661,974	959,363	(702,611)
Total Revenues	12,910,574	12,205,227	(705,347)
Expenditures:			
Budgeted			
Legislative	47,453	41,793	5,660
General Government	609,692	406,183	203,509
Regulation and Protection	267,138	236,883	30,255
Conservation and Developmen	68,008	62,731	5,277
Health and Hospitals	857,165	817,777	39,388
Transportation	309,682	284,111	25,571
Human Services	3,399,615	3,374,158	25,457
Education, Libraries, and Museums	2,267,538	2,240,437	27,101
Corrections	787,205	762,917	24,288
Judicial.	241,392	232,340	9,052
Non Functional.	2,390,238	2,189,498	200,740
Total Budgeted	11,245,126	10,648,828	596,298
Federal and Other Restricted	1,661,974	959,363	702,611
Total Expenditures	12,907,100	11,608,191	1,298,909
Appropriations Lapsed	166,067	-	(166,067)
Excess (Deficiency) of Revenues			
Over Expenditures	169,541	597,036	427,495
Other Financing Sources (Uses):			
Prior Year Appropriations Carried Forward	215,087	215,087	-
Appropriations Continued to Fiscal Year 1998-99.	-	(424,003)	(424,003)
Transfers Between Funds	-	-	-
Miscellaneous Adjustments	86	1,382	1,296
Total Other Financing Sources (Uses)	**215,173**	**(207,534)**	**(422,707)**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	**$ 384,714**	**389,502**	**$ 4,788**
	$ -		**$ -**
Budgetary Fund Balances (deficit) - July 1		**1,252,526**	
Changes in Reserves		**(76,661)**	
Budgetary Fund Balances - June 30		**$ 1,565,367**	

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Combined Statement of Revenues, Expenses, and
Changes in Retained Earnings/Fund Balances
All Proprietary Fund Types, Nonexpendable Trust Funds,
and Discretely Presented Component Units
For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary	Proprietary Fund Type	Total Reporting
	Enterprise	Internal Service	Nonexpendable Trust	Government (Memorandum only)	Component Units	Entity (Memorandum only)
Operating Revenues:						
Charges for Services	$ 37,718	$ 93,831	$ -	$ 131,549	$ 142,548	$ 274,097
Interest on Financing Activities	1,370	-	9,221	10,591	354,719	365,310
Investment Earnings	-	-	33,829	33,829	-	33,829
Patient Service Revenue	117,709	-	-	117,709	-	117,709
Intergovernmental..	-	-	14,594	14,594	-	14,594
Civic Center Lease Operations	-	-	-	-	11,445	11,445
Lottery Sales	805,613	-	-	805,613	-	805,613
Miscellaneous	479	-	322	801	26,842	27,643
Total Operating Revenues	962,889	93,831	57,966	1,114,686	535,554	1,650,240
Operating Expenses:						
Cost of Sales and Services	540,003	62,302	-	602,305	-	602,305
Administrative	66,236	15,280	431	81,947	33,985	115,932
Depreciation and Amortization	15,608	16,864	-	32,472	21,869	54,341
Interest on Financing Activities	7,566	-	25,348	32,914	342,508	375,422
Patient Care	81,363	-	-	81,363	-	81,363
Other Program Expenses	806	-	809	1,615	15,057	16,672
Civic Center Lease Operations	-	-	-	-	15,364	15,364
Solid Waste Operations	-	-	-	-	96,334	96,334
Total Operating Expenses	711,582	94,446	26,588	832,616	525,117	1,357,733
Operating Income (Loss.	251,307	(615)	31,378	282,070	10,437	292,507
Nonoperating Revenues (Expenses):						
Interest and Investment Income	53,282	-	-	53,282	74,195	127,477
Interest and Fiscal Charges	(49,309)	-	-	(49,309)	(19,606)	(68,915)
Other	7,140	-	-	7,140	(455)	6,685
Total Nonoperating Income (Expense)	11,113	-	-	11,113	54,134	65,247
Income (Loss) Before Operating Transfers	262,420	(615)	31,378	293,183	64,571	357,754
Operating Transfers:						
Operating Transfers In	8,344	-	28,253	36,597	-	36,597
Operating Transfers Out	(266,569)	-	(3,347)	(269,916)	-	(269,916)
Net Income (Loss)	4,195	(615)	56,284	59,864	64,571	124,435
Add Items Affecting Contributed Capital:						
Depreciation on Equipment Acquired through Capital Grants	-	-	-	-	147	147
Total Add Back Items	-	-	-	-	147	147
Retained Earnings/Fund Balances-July 1(as restated)	162,069	43,067	382,736	587,872	400,944	988,816
Residual Equity Transfer In	212	-	-	212	-	212
Retained Earnings/Fund Balances - June 30	**$ 166,476**	**$ 42,452**	**$ 439,020**	**$ 647,948**	**$ 465,662**	**$ 1,113,610**

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Combined Statement of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds, and
Discretely Presented Component Units
For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum only)	Proprietary Fund Type Component Units	Total Reporting Entity (Memorandum only)
	Enterprise	Internal Service	Nonexpendable Trust			
Cash Flows From Operating Activities:						
Operating Income (Loss)	$ 251,307	$ (615)	$ 31,378	$ 282,070	$ 10,437	$ 292,507
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Amortization and Depreciation	15,608	16,864	-	32,472	23,016	55,488
Provision for Loan Losses	5,724	-	-	5,724	3,309	9,033
Investment Income	-	-	(33,829)	(33,829)	-	(33,829)
Interest Expense	7,566	-	25,348	32,914	200,731	233,645
Changes in Assets and Liabilities:						
(Increase) Decrease in Receivables.	(21,331)	(31)	(1,424)	(22,786)	2,837	(19,949)
(Increase) Decrease in Due From Other Funds	5,644	153	-	5,797	(1,311)	4,486
(Increase) Decrease in Receivable From Other Governments	(97)	-	-	(97)	-	(97)
(Increase) Decrease in Inventories and Prepaid Expenses	(1,516)	(607)	-	(2,123)	(2,352)	(4,475)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(14,168)	(257)	2	(14,423)	(728)	(15,151)
Increase (Decrease) in Due To Other Funds	798	(399)	-	399	-	399
Issuance of Loans, Notes & Installment Contracts Receivable	(463)	-	(54,666)	(55,129)	(967,481)	(1,022,610)
Collection of Loans, Notes & Installment Contracts Receivable	2,358	-	-	2,358	275,753	278,111
Miscellaneous Operating Activities	6,160	1,400	123	7,683	3,903	11,586
Net Cash Provided by (Used in) Operating Activities	257,590	16,508	(33,068)	241,030	(451,886)	(210,856)
Cash Flows From Noncapital Financing Acitivites:						
Contributed Capital	-	-	-	-	1,825	1,825
Proceeds From Sale of Bonds and Notes	-	-	110,901	110,901	408,085	518,986
Retirement of Bonds and Notes Payable	(5,101)	-	(18,725)	(23,826)	(216,230)	(240,056)
Interest on Bonds and Notes Payable	(7,736)	-	(23,503)	(31,239)	(199,699)	(230,938)
Transfers From Other Funds	8,344	-	28,253	36,597	-	36,597
Transfers To Other Funds	(258,616)	-	(3,347)	(261,963)	-	(261,963)
Bond Issuance and/or Redemption Costs	-	-	-	-	(5,655)	(5,655)
Miscellaneous Noncapital Financing Activities-Deletions	-	-	-	-	(12,778)	(12,778)
Net Cash Provided by (Used in) Noncapital Financing Activities	(263,109)	-	93,579	(169,530)	(24,452)	(193,982)
Cash Flows From Capital And Related Financing Activities:						
Purchase of Fixed Assets	(11,415)	(15,512)	-	(26,927)	(15,796)	(42,723)
Proceeds From Sale of Bonds and Notes	-	-	-	-	698,520	698,520
Retirement of Bonds and Notes Payable	(3,187)	-	-	(3,187)	(125,428)	(128,615)
Interest on Bonds and Notes Payable	(6,632)	-	-	(6,632)	(158,687)	(165,319)

Capital Contributions or Grants	393	-	-	393	-	393
Miscellaneous Capital and Related Financing Activities-Additions	-	-	-	-	141,844	141,844
Miscellaneous Capital and Related Financing Activities-Deletions	(59)	-	-	(59)	(136,814)	(136,873)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(20,900)	(15,512)	-	(36,412)	403,639	367,227
Cash Flows From Investing Activities:						
Proceeds From Sales of Investment Securities	57,127	-	-	57,127	956,906	1,014,033
Purchase of Investment Securities	(41,671)	-	(103,346)	(145,017)	(1,004,626)	(1,149,643)
Interest and Income on Investments	9,385	-	25,256	34,641	105,755	140,396
Reduction in Loan Receivable	-	-	-	-	5,604	5,604
Net Cash Provided by (Used in) Investing Activities	24,841	-	(78,090)	(53,249)	63,639	10,390
Increase (Decrease) in Cash	(1,578)	996	(17,579)	(18,161)	(9,060)	(27,221)
Cash and Cash Equivalents - July 1	123,156	6,016	25,252	154,424	466,169	620,593
Cash and Cash Equivalents - June 30	$ 121,578	$ 7,012	$ 7,673	$ 136,263	457,109	$ 593,372
	-	-	-	-	-	-
Reconciliation of Cash and Cash Equivalents to Balance Sheet:						
Cash and Cash Equivalents - June 30 (Balance Sheet)	$ 59,943		$ 219,884		$ 266,843	
Plus-Cash and Cash Equivalents in Restricted Assets.	61,635		-		190,266	
Less-Cash and Cash Equivalents in Other Fiduciary Fund Types	-		212,211		-	
Cash and Cash Equivalents - June 30	**$ 121,578**		**$ 7,673**		**$ 457,109**	

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Statement of Changes in Net Assets
Pension Trust Funds and Investment Trust Fund
For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Pension Trust				Pension Trust			
	State Employees	State Teachers	Judicial	Connecticut Municipal Employees	Probate Judges	Other	External Investment Pool	Total
Additions:								
Contributions:								
Plan Participants	$ 35,409	$ 147,862	$ 1,022	$ 27,985	$ 212	$ 31	$ -	$ 212,521
State	253,350	179,365	9,309	-	-	-	-	442,024
Federal and Other	81,496	-	-	-	-	-	-	81,496
Intergovernmental	-	6,748	-	-	-	-	-	6,748
Total Contributions.	370,255	333,975	10,331	27,985	212	31	-	742,789
Investment Income	1,084,906	1,557,642	16,893	170,926	9,216	128	66,111	2,905,822
Less: Investment Expenses	(46,996)	(67,440)	(732)	(7,411)	(398)	(5)	(372)	(123,354)
Net Investment Income	1,037,910	1,490,202	16,161	163,515	8,818	123	65,739	2,782,468
Pool's Share Transactions.	-	-	-	-	-	-	267,376	267,376
Operating Transfers In.	-	-	-	-	761	-	-	761
Miscellaneous	1,185	-	-	-	-	-	-	1,185
Total Additions	1,409,350	1,824,177	26,492	191,500	9,791	154	333,115	3,794,579
Deductions:								
Administrative	350	-	6	-	-	-	-	356
Benefit Payments and Refunds	550,802	523,035	10,804	43,059	1,596	13	-	1,129,309
Distributions to Pool Participants	-	-	-	-	-	-	65,739	65,739
Other Program Expenses	-	-	-	-	576	-	-	576
Total Deductions	**551,152**	**523,035**	**10,810**	**43,059**	**2,172**	**13**	**65,739**	**1,195,980**
Net Increase (Decrease) in Net Assets	**858,198**	**1,301,142**	**15,682**	**148,441**	**7,619**	**141**	**267,376**	**2,598,599**
Net assets held in trust for pension benefits and pool participants:								
July 1, 1997 (as restated)	**6,174,141**	**8,702,282**	**98,830**	**977,978**	**52,816**	**699**	**691,788**	**16,698,534**
June 30, 1998	**$ 7,032,339**	**$ 10,003,424**	**$ 114,512**	**$ 1,126,419**	**$ 60,435**	**$ 840**	**$ 959,164**	**$ 19,297,133**

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State of Connecticut

Combined Statement of Changes in Fund Balances
Higher Education Funds
For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Current Funds		Endowment and Similar Funds	Loan Funds	Plant Funds	Affiliated Organization	Total
	Unrestricted	Restricted					
Revenues and Other Additions:							
Current Funds Revenue	$ 557,388	$ 141,991	$ -	$ -	$ -	$ -	$ 699,379
Federal Grants and Contracts	-	-	-	9	-	-	9
State Grants and Contracts	-	-	-	-	11,967	-	11,967
Private Gifts and Grants	-	-	50	353	-	-	403
Investment Earnings	-	-	887	177	8,786	-	9,850
Interest on Loans Receivable.	-	-	-	529	-	-	529
Expended for Plant Facilities.	-	-	-	-	283,427	-	283,427
Retirement of Indebtedness	-	-	-	-	8,923	-	8,923
Sale of Bonds	-	-	-	-	99,280	-	99,280
Foundation Revenues	-	-	-	-	-	55,453	55,453
Miscellaneous	-	-	50	630	12,672	-	13,352
Total Revenues and Other Additions	557,388	141,991	987	1,698	425,055	55,453	1,182,572
Expenditures and Other Deductions:							
Education and General	854,613	128,662	-	-	-	-	983,275
Auxiliary Enterprises	94,275	114	-	-	-	-	94,389
Patient Car.	86,060	177	-	-	-	-	86,237
Indirect Costs Recovered	-	15,134	-	-	-	-	15,134
Loan Cancellations and Write-offs	-	-	-	99	-	-	99
Interest on Indebtedness	-	-	-	-	10,297	-	10,297
Capital Expenditures	-	-	-	-	254,893	-	254,893
Disposal of Plant Facilities	-	-	-	-	35,685	-	35,685
Administrative Costs	-	-	-	201	-	-	201
Retirement of Indebtedness	-	-	-	-	8,923	-	8,923
Foundation Expenditures	-	-	-	-	-	8,651	8,651
Other	-	192	9,116	351	4,761	-	14,420
Total Expenditures and Other Deductions	1,034,948	144,279	9,116	651	314,559	8,651	1,512,204
Transfers Among Funds - Additions (Deductions)							
Mandatory:							
Retirement of Indebtedness	(4,510)	-	-	-	4,510	-	-
Nonmandatory:							
Transfer From Foundation	-	7,420	-	-	-	(7,420)	-
Transfer To Foundation	(3,604)	-	-	-	-	3,604	-
Other.	(1,236)	(2,638)	21	(152)	4,005	-	-
Total Transfers Among Funds	(9,350)	4,782	21	(152)	8,515	(3,816)	-
Operating Transfers from the State's Governmental Funds	517,309	-	-	-	177,752	-	695,061
Change in Accounting for Compensated Absences	(11,212)	-	-	-	-	-	(11,212)
Net Increase (Decrease) in Fund Balances	**19,187**	**2,494**	**(8,108)**	**895**	**296,763**	**42,986**	**354,217**
Fund Balances (deficit) - July 1 (as restated)	**57,967**	**30,830**	**15,893**	**30,137**	**1,468,965**	**105,879**	**1,709,671**
Fund Balances (deficit) - June 30	**$ 77,154**	**$ 33,324**	**$ 7,785**	**$ 31,032**	**$ 1,765,728**	**$ 148,865**	**$ 2,063,888**

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Combined Statement of Revenues, Expenditures, and Other Changes
Higher Education Funds
For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Current Funds		
	Unrestricted	**Restricted**	**Total**
Revenues and Transfers from Foundation:			
Student Tuition and Fees	$ 257,474	$ -	$ 257,474
Federal Grants and Contracts	26,762	85,128	111,890
State Grants and Contracts	561	21,264	21,825
Private Gifts and Grants	12,604	11,814	24,418
Patient Service	83,073	-	83,073
Sales and Services	142,888	129	143,017
Investment Earnings	9,831	1,303	11,134
Miscellaneous	24,195	1,895	26,090
Total Revenues	557,388	121,533	678,921
Transfer from Foundation	-	7,420	7,420
Total Revenues and Transfer from Foundation	557,388	128,953	686,341
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	$ 378,947	$ 8,068	$ 387,015
Research	24,352	64,611	88,963
Public Service	22,997	10,714	33,711
Academic Support	92,270	1,921	94,191
Student Services	51,966	1,828	53,794
Institutional Support	156,376	1,028	157,404
Scholarship and Fellowships	39,087	40,219	79,306
Plant Operations and Maintenance	88,618	273	88,891
Total Educational and General Expenditures	854,613	128,662	983,275
Patient Care	86,060	177	86,237
Auxiliary Enterprises	94,275	114	94,389
Mandatory Transfers:			
Retirement of Indebtedness	4,510	-	4,510
Total Expenditures and Mandatory Transfers	1,039,458	128,953	1,168,411
Other Transfers - Additions (Deductions):			
Operating Transfers from the State's Governmental Funds	517,309	-	517,309
Transfer to Foundation	(3,604)	-	(3,604)
Other Non-mandatory Transfers	(1,236)	(2,638)	(3,874)
Excess of Restricted Receipts over Transfers to Revenues	-	5,324	5,324
Refunded to Grantors.	-	(192)	(192)
Change in Accounting for Compensated Absences	(11,212)	-	(11,212)
Total Other Transfers and Additions (Deductions)	**501,257**	**2,494**	**503,751**
Net Increase (Decrease) in Fund Balances	**$ 19,187**	**$ 2,494**	**$ 21,681**

The accompanying notes are an integral part of the financial statements.

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State of Connecticut

Notes to the Financial Statements

June 30, 1998

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB), except for the financial statements of the University of Connecticut Foundation, Incorporated (an affiliated organization). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

During the year, the State implemented GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*." This statement requires the State to report certain investments at fair value and the external portion of the Short-Term Investment Fund as a separate investment trust fund (see Note 4).

b. Financial Reporting Entity

As required by generally accepted accounting principles, the accompanying financial statements include (1) all funds, agencies, boards, commissions, and account groups that comprise the State's legal entity, (2) legally separate organizations for which the State is financially accountable (component units), and (3) a legally separate organization for which the nature and significance of its relationship with the State is such that exclusions would cause the State's financial statements to be misleading (affiliated organization). Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board and (2) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

Component Units

Component units are reported in the combined financial statements either in a separate column (discrete presentation) or in combination with similar funds of the State (blending presentation).

Discretely Presented Component Units

This column includes legally separate organizations for which the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's debt, or provides significant funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated). The financial data of the following organizations is included in this column.

Connecticut Development Authority (CDA)

The Authority is a public instrumentality and political subdivision of the State. It was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond, Umbrella, and Insurance programs as well as other economic development programs.

Connecticut Housing Finance Authority (CHFA)

The Authority is a public instrumentality and political subdivision of the State. It was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 1997.

Connecticut Resources Recovery Authority (CRRA)
The Authority is a public instrumentality and political subdivision of the State. It is responsible for implementing the State Solid Waste Management Plan by determining the location of and constructing solid waste management projects, owning, operating, and maintaining waste management projects, or making provisions for operation and maintenance by contracting with private industry.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)
The Authority is a public instrumentality and political subdivision of the State. It was created to assist students, their parents and institutions of higher education to finance the cost of higher education through its Bond funds.

Connecticut Health and Educational Facilities Authority (CHEFA)
The Authority is a public instrumentality and political subdivision of the State. The purpose of the Authority is to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated (CII)
The Authority is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Condensed financial information for the major component units is disclosed in Note 21. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Blended Component Unit
The Connecticut Lottery Corporation was created in July 1996 as a public instrumentality and political subdivision of the State. The purposes of the Corporation are to generate and manage the State's lottery in an entrepenurial and business-like manner and to provide continuing and increased revenue to the people of the State. The State appoints a voting majority of the Corporation's governing board, and the Corporation provides revenue to the State. In the combined financial statements, the Corporation is included in the Enterprise funds group (Primary Government).

Affiliated Organization
The University of Connecticut Foundation, Incorporated is a nonprofit corporation created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut. The Foundation is not financially accountable to the University. However, the Foundation is included as a component unit because the nature and significance of its relationship to the University are such that exclusion would cause the University's financial statements to be misleading. The Foundation is reported in a separate column in the higher education funds group (Primary Government).

c. Fund Accounting
The financial activities of the State are accounted for in individual funds and account groups.

A fund is a fiscal and accounting entity with a selfbalancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. In the financial statements, individual funds are classified in four fund categories and component units. The four fund categories are governmental funds, proprietary funds, fiduciary funds, and higher education funds.

Account groups are accounting entities used to account for the State's general fixed assets and long-term debt. These account groups are not funds because they do not reflect available financial resources and related liabilities. In the financial statements, the account groups are the general fixed asset account group and the general long-term debt account group.

Because the State of Connecticut has a significant number of legal funds, a functional basis combining presentation was chosen to facilitate the preparation and readability of the Comprehensive Annual Financial Report (CAFR). More detailed information on the legal funds can be found in the Annual Report of the Comptroller - a "modified cash" basis document also produced by the Office of the Comptroller.

Following is a description of the fund categories, account groups, and component units used in the accompanying financial statements.

Governmental Funds

1. General Fund - The General Fund is the general operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State (e.g. health, social assistance, education, etc.), which are not accounted for in other funds.

2. Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, major capital projects, and higher education sources) that are legally restricted to expenditures for specified purposes. For example, motor fuel taxes levied to fund Department of Transportation costs.

3. Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term bonds and notes.

4. Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure projects (other than those financed by proprietary funds and higher education funds).

Proprietary Funds

1. Enterprise Funds - These funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These funds include expendable trust funds, nonexpendable trust funds, pension trust funds, an investment trust fund, and agency funds.

Account Groups

1. General Fixed Asset Account Group - This account group includes all the fixed assets (excluding infra-structure) that are not accounted for in the proprietary and higher education funds.

2. General Long-Term Debt Account Group - This account group includes all long-term obligations which are to be financed from governmental funds. These long-term obligations include the following:

- Unmatured principal on general obligation and transportation related bonds and notes.
- Other non-current liabilities for capital leases, compensated absences, unfunded pension costs, workers' compensation claims, and claims and judgements.

Higher Education Funds
The financial activities of the State's higher education institutions (University of Connecticut, State universities, and community-technical colleges) and an affiliated organization are accounted for in these funds, which are reported in a separate column in the combined financial statements (Primary Government).

The following fund categories and affiliated organization are included:

1. Current Funds - These funds are used to account for resources that will be expended in the near future for operating purposes. Included in the current fund category are unrestricted funds that the governing boards retain full control of, in achieving the institutions' purposes and restricted funds that may be utilized only in accordance with external restrictions.

2. Endowment Funds - These funds account for gifts that are restricted as to principal by the donor.

3. Loan Funds - These funds are used to account for loans to students and for resources available for such purposes.

4. Plant Funds - These funds account for resources that have been or will be used for institutional property acquisition, renewal and replacement, and resources accumulated for the retirement of debt associated with institutional properties.

5. Agency Funds - These funds are funds held by an institution as custodian or fiscal agent for others such as student organizations, individual students, or faculty members.

6. Affiliated Organization - This column accounts for the financial activities of the University of Connecticut Foundation, Inc., a component unit of the University of Connecticut.

Component Units
The component units include proprietary type organizations that are legally separate from the State but that are considered part of the reporting entity.

d. Basis of Accounting
The accounting and financial reporting treatments applied to a fund is determined by its measurement focus and basis of accounting, which are described as follows:

Governmental Funds and Expendable Trust Funds
These funds are accounted for using a current financial resources measurement focus and a modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are normally included on the balance sheet. Fund balance represents a measure of "available spendable resources." Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual (i.e. both measurable and available). The word "available" means that the revenue is collectible within the current period or soon enough thereafter to pay period liabilities. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt which are recorded as expenditures when due. Major revenue sources that are treated as susceptible to accrual include sales and use taxes, personal income taxes, public service corporation taxes, and special fuel taxes. Revenues from restricted grants (federal or other) are recorded when the related expenditure has been incurred. Medicaid revenue is recorded when the related receivable is recorded.

Proprietary Funds, Nonexpendable Trust Funds, Pension Trust Funds, Investment Trust Fund, Component Units, and Affiliated Organization
These funds are accounted for using a flow of economic resources measurement focus and an accrual basis of accounting. Under the flow of economic resources measurement focus all assets and liabilities are included on the balance sheet. Fund equity (proprietary funds and component units) is segregated into contributed capital and retained earnings components. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

According to GASB Statement No. 20, these funds must comply with all applicable GASB pronouncements and all applicable pronouncements issued by the Financial Accounting Standards Board (FASB) and its predecessors as follows (provided those pronouncements do not conflict with or contradict GASB pronouncements).

Fund Type	FASB Statements Issued on or Prior to 11/30/89	FASB Statements Issued to Date
Proprietary Funds	X	
Nonexpendable Trust Funds	X	
Pension Trust Funds	X	
Investment Trust Fund	X	
Component Units:		
Conn. Development Authority		X
Conn Housing Finance Authority	X	
Conn. Resources Recovery Authority	X	
Conn. Higher Education		
Supplemental Loan Authority	X	
Conn. Health & Educational		
Facilities Authority		X
Conn. Innovations, Inc.	X	

Agency Funds
These funds are accounted for using a modified accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not measure nor report results of operations.

Higher Education Funds
These funds (excluding the affiliated organization) are accounted for using a current financial resources measurement focus and an accrual basis of accounting with the following exceptions:

- All assets and liabilities are included on the balance sheet.
- Depreciation expense related to plant fund fixed assets is not recorded, except for fixed assets reported by the University of Connecticut.
- Revenues and expenditures of an academic term covering more than one fiscal year are reported in the fiscal year in which the program is predominately conducted.

e. Budgeting Process
By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund and Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act is maintained by the allotment process.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3% of the fund or 5% of the appropriation amount. Modifications beyond those limits, but not in excess of 5% of the total funds, require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5% of the total appropriated fund can be made only with the approval of the General Assembly.

All funds except fiduciary funds use encumbrance accounting. Using this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carry forwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carried-forward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes and Federal and other restricted grant revenues of the General and Transportation funds which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for all governmental funds for which a budget is legally adopted.

f. Budgetary vs GAAP Basis of Accounting

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis) (see Note 1d).

2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis) (see Note 1d).

3. For budgetary reporting purposes, continuing approp-riations are included with expenditures to determine the budgetary surplus or deficit because they are considered uses of spending authority for the fiscal year. But under the GAAP basis, continuing appropriations are not included as expenditures.

4. Certain special revenue funds are not subject to legal budgets.

Because of the above differences, a reconciliation between the budgetary and GAAP basis is presented in Note 2.

g. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

In addition to petty cash and bank accounts, this account includes cash equivalents - short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents include investments in the Short-Term Investment Fund ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-exempt money market fund reported under the Investment Company Act of 1940. Investments in STIF and TEPF are reported at the fund's share price.

Investments (see Note 4)
Equity in Combined Investment Funds is reported at fair value based on the funds' current share price.

External investment pool is reported at amortized cost.

Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- CHFA's investments.

Fair value is determined based on quoted market prices.

The State invests in derivatives. These investments are held by STIF and the Combined Investment Funds.

Inventories
Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance reserve to indicate that they are unavailable for appropriation.

Fixed Assets and Depreciation
General fixed assets are reported at historical or estimated historical cost. Donated fixed assets are valued at estimated fair value on the date donated. Interest costs incurred during construction and infrastructure fixed assets (highways, bridges, etc.) are not capitalized. No depreciation is provided for general fixed assets.

Fixed assets in the enterprise and internal service funds are reported at cost. Interest costs incurred during construction at Bradley International Airport are capitalized as part of the assets. Depreciation of the fixed assets is determined using the straight-line method and is based upon the assets' estimated useful lives.

Fixed assets in the higher education funds are reported at cost. No depreciation is recorded on these fixed assets, except for the University of Connecticut's fixed assets. Depreciation of the fixed assets is determined using the straight-line method and is based on the assets' estimated useful lives.

Fixed assets of the component units are reported at cost. Depreciation of the fixed assets is determined using the straight-line method and is based upon the assets' estimated useful lives.

Food Stamps
Food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the operating statement.

Securities Lending Transactions (see Note 4)
Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the pension and nonexpendable trust funds based on their equity in the Combined Investment Funds.

Deferred Revenues
This liability account represents:

- Cash received by the State before the State has a legal claim to it (e.g. grant monies received before the incurring of qualifying expenditures).
- Revenues considered measurable but not available during the current period.

In subsequent periods, when the State has a legal claim to the cash received, or when the revenues become available, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

Capital Appreciation Bonds
Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial purchase price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the general long-term debt account group at its net or accreted value rather than at face value.

Other Long-term Obligations
The portion of unfunded pension costs, workers' compensation claims, and accumulated compensated absences that is expected to be liquidated with available expendable financial resources is reported as an expenditure and a fund liability of the governmental and expendable trust funds that will pay it. The remaining portion that is not expected to be liquidated with available expendable financial resources is reported in the general long-term debt account group. In the proprietary funds, higher education funds, and component units such obligations are recorded as fund liabilities.

Vacation and sick policy is as follows. Employees hired on or before June 30, 1977, can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

h. Fund Equity
Contributed Capital
The amount of permanent fund capital in the enterprise funds, internal service funds, and component units which is contributed by governments and others.

Reserved Retained Earnings
The portion of retained earnings in the enterprise funds and component units which is legally restricted for specific future use.

Reserved Fund Balances
The portion of fund balances in the governmental, fiduciary, and higher education fund types which is legally reserved for a specific future use or which is not available for appropriation or expenditure.

i. Revenues, Expenditures, and Interfund Transactions
Taxes
Certain tax revenues that accrue to the State are considered "available " if the payer incurs the obligation to the State before year-end and payment is received within sixty days after year-end (see Note 6).

Licenses, Permits, and Fees
These items are not susceptible to accrual and are recognized as revenues when the cash is collected.

Interest Rate Swap Agreements
The State has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements (see Note 15).

Interfund Transactions
Interfund transactions are recorded as follows:

(1) Transfers which are from funds that are receiving revenues to funds in which the resources are to be expended are classified as operating transfers.

(2) Transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the State are treated similarly by the funds of the State.

(3) Reimbursements from one fund to another are treated as expenditures or expenses of the reimbursing fund and as a reduction of the expenditures or expenses of the reimbursed fund.

(4) Non-recurring or non-routine transfers of equity between funds and capital contributions to proprietary funds are classified as equity transfers.

j. Pension Trust Funds Transactions
Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds (including securities lending transactions) are allocated ratably to these funds based on their equity in the Combined Investment Funds.

k. External Investment Pool Fund
Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its equity in the Short-Term Investment Fund (see Note 4). Pool income is determined based on distributions made to pool's participants.

l. Use of Estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

m. Total Columns - Memorandum Only
Total columns captioned "Memorandum Only" are presented only to facilitate financial analysis. Data in these columns do not present the financial position, the results of operations or cash flow in conformity with generally accepted accounting principles nor is such data comparable to a consolidation.

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State of Connecticut

June 30,1998

Note 2

BUDGETARY BASIS VS. GAAP

The following is a reconciliation of the excess (deficiency) of revenues and other sources over expenditures and other uses as accounted between the budgetary and GAAP basis of accounting (amounts in thousands):

Financial Statements Fund Types	General	Special Revenue
Excess (deficiency) of revenues and other sources over expenditures and other uses (Budgetary basis)	$ 312,911	$ 76,591
Adjustments:		
Increases (decreases) in revenue accruals:		
Government Receivables	(35,207)	3,604
Other Receivables	(35,762)	(4,631)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	60,597	(4,158)
Salaries and Fringe Benefits Payable	(6,533)	2,428
Increase (decrease) in Continuing Appropriations	180,520	28,395
Reclass of equity adjustments:		
To Other Financing Uses	(85,768)	-
To Operating Expenses	-	(84,855)
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis) - budgeted funds	390,758	17,374
To record excess of revenues and other sources over expenditures and other uses for nonbudgeted funds	-	19,897
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	**$ 390,758**	**$ 37,271**

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Note 3

FUND DEFICITS

The following funds have deficit balances at June 30, 1998, in either unreserved fund balances or unreserved retained earnings, none of which constitutes a violation of statutory provisions (amounts in thousands).

General Fund	$ 694,308
Special Revenue	
Consumer Counsel and Public Utility Control	$ 3,163
Enterprise Funds	
Bradley International Airport	$ 4,968

The General Fund and Consumer Counsel and Public Utility Control Fund deficits have been addressed by Public Act 93-402, subsequently modified by Public Act 97-305, which among other things, requires any GAAP deficits for budgeted funds existing as of June 30, 1999 to be amortized in fifteen equal increments beginning with the annual budget for fiscal year 2000-01.

While the unreserved retained earnings of Bradley has a deficit balance, the total fund equity of each fund is still positive.

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Note 4

CASH DEPOSITS AND INVESTMENTS

In this note, the State's deposits and investments are classified in categories of "custodial credit risk." This is the risk that the State will not be able to (a) recover deposits if the depository bank fails or (b) recover the value of investments or collateral securities that are in the custody of an outside party if the counterparty to the investment or deposit transaction fails. Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low. The level of potential custodial credit risk is higher for those deposits or investments classified in category 2, and highest for those in category 3.

Cash deposits (amounts in million)
At June 30, l998, the reported amount of the State's deposits was $(133.7) for the Primary Government and $133.0 for the Component Units. The corresponding bank balance for such deposits was $139.3 for the Primary Government and $139.2 for the Component Units. Of the bank balance for the Primary Government $52.6 was insured by the Federal Deposit Insurance Corporation or held by the State's agent in the State's name (Category 1), $8.7 was collateralized (Category 3), and $78.0 was uninsured and uncollateralized (Category 3). Of the bank balance for the Component Units, $12.4 was insured by the Federal Deposit Insurance Corporation or held by the State's agent in the State's name (Category 1), $0.9 was collateralized (Category 3), and $125.9 was uninsured and uncollateralized (Category 3).

Collateralized deposits are deposits which are protected by State statute. Under the statute, any bank holding public deposits must at all times maintain eligible collateral in an amount equal to 10%, 25%, 100%, or 120% of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio - a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

Investments
The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. Investment policies and guidelines are established by the State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries. Currently, the State Treasurer manages one Short-Term Investment Fund ("STIF") and seven Combined Investment Funds (the "CIFS"), including one international investment fund.

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptances, repurchase agreements, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) and are disclosed in the investments schedules.

For financial reporting purposes, STIF is considered to be a mixed investment pool - a pool having external and internal portions. The external portion of STIF (i.e., the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund in the combined financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the combined financial statements. Instead, each fund type's investment in the internal portion of STIF is reported as "cash equivalents" in the combined balance sheet.

The CIFS are open-end, unitized portfolios in which the State pension and other trust funds are eligible to invest. The units of the CIFS are owned by the State pension and other trust funds. The State Treasurer is also

authorized to invest monies of the CIFS in common stock, commercial equity real estate, foreign companies stocks and bonds, commercial and residential mortgages, foreign govern-ments obligations, mortgage-backed securities, and venture capital partnerships. CIFS' investments are reported at fair value and are disclosed in the investments schedules.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the combined financial statements. Instead, each fund type's investment in the CIFS is reported as "equity in combined investment funds" in the combined balance sheet.

Complete financial information about STIF and the CIFS can be obtained from financial statements issued by the State Treasurer.

The following investments schedules disclose the reported amount and fair value of the State's investments in total and by investment type as of June 30, 1998. Further, the reported amounts of these investments are classified according to the following categories of custodial credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agency but not in the State's name.

The CIFS account for the purchase and sale of investments using "trade date" accounting - investments are increased or decreased on the date the purchase or sales order is made although the investments are not received or delivered until a later date (settlement date). Thus, CIFS' investment schedule was prepared taking into account unsettled sales and purchases of investments. This means that investments under unsettled sales are included in the schedule, because the investments are still subject to custodial credit risk that could result in losses prior to settlement. Conversely, investments under unsettled purchases are excluded from the schedule, because the investments are still in the hands of the dealers.

INVESTMENTS-PRIMARY GOVERNMENT
SHORT-TERM INVESTMENT FUND
(amounts in thousands)

Investment Type	Reported Amount Category 1	Fair Value
Repurchase Agreements	$ 599,382	$ 599,382
Certificates of Deposit-Negotiable	432,424	432,615
Commercial Paper	1,551,232	1,551,235
Corporate Notes	13,001	13,004
Bankers' Acceptances	257,570	257,576
Federal Agency Securities	303,402	303,482
Student Loan-Backed Revolving Loans	17,903	17,903
State of Israel Bonds	1,500	1,500
Total Investments	$ 3,176,414	$ 3,176,697

INVESTMENTS-PRIMARY GOVERNMENT
COMBINED INVESTMENT FUNDS
(amounts in thousands)

Investment Type	Reported Amount (Fair Value) Category 1	Category 3	Total
Cash Equivalents	$ 862,059	$ 1,298,608	$ 2,160,667
Asset Backed Securities	453,925	-	453,925

U.S. Government and Agency Securities:			
Not on Securities Loan	1,492,403	-	1,492,403
On Sec. Loan for Sec. or LOC Collateral	-	235,898	235,898
Mortgage Backed Securities	667,465	-	667,465
Corporate Debt	2,246,004	388,495	2,634,499
Convertible Securities	200,320	-	200,320
Common Stock:			
Not on Securities Loan	9,056,539	-	9,056,539
On Sec. Loan for Sec. or LOC Collateral	-	34,746	34,746
Preferred Stock	163,887	-	163,887
	$ 15,142,602	$ 1,957,747	17,100,349
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:			
Real Estate Investment Trusts			31,791
Mutual Funds			97,368
Limited Liability Corporations			29,495
Trusts			180,033
Limited Partnerships			790,042
Partnerships			49,501
Annuities			18,122
Securities Held by Brokers-Dealers under Sec. Loans for Cash Collateral:			
U.S. Government and Agency Securities			552,731
Common Stock			1,071,472
International Fixed Securities			5,432
			$ 19,926,336

The pension trust funds own approximately 100% of the investments that are in categories 1 and 3.

INVESTMENTS-PRIMARY GOVERNMENT
OTHER
(amounts in thousands)

	Reported Amount				
Investment Type	**Category 1**	**Category 2**	**Category 3**	**Total**	**Fair Value**
Collateralized Investment Agreements	$ 448,672	$ 100,846	$ -	$ 549,518	$ 549,779
State/Municipal Bonds	218,516	-	-	218,516	218,516
U.S. Government & Agency Securities	196,065	-	-	196,065	196,065
Repurchase Agreements	4,290	35,545	-	39,835	39,835
Annuity Contracts	589,394	-	-	589,394	589,394
Common Stock	21,735	977	1,312	24,024	24,024
Other	6,063	-	858	6,921	6,921
	$ 1,484,735	$ 137,368	$ 2,170	1,624,273	1,624,534
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:					
Mutual Funds				93,460	93,460
Deferred Compensation Plan Mutual Investments				622,199	622,199
Tax Exempt Proceeds Fund				112,232	112,232
Other				23,888	23,888
Total Investments				$ 2,476,052	$ 2,476,313

The Connecticut Lottery Corp. owns approximately 40% and the Special Assessment fund owns approximately 99% of theinvestments that are in categories 1 and 2, respectively.

INVESTMENTS - COMPONENT UNITS
(amounts in thousands)

	Reported Amount				
Investment Type	**Category 1**	**Category 2**	**Category 3**	**Total**	**Fair Value**
U.S. Government & Agency Securities	$ 537,514	$ 76,575	$ 17,069	$ 631,158	$ 627,601
Common Stock	26,059	-	-	26,059	26,059
Repurchase Agreements	143,562	-	-	143,562	143,562
Collateralized Investment Agreements	2,848	-	18,863	16,015	18,863
Product Development and Marketing Investments	17,782	-	-	17,782	17,782
Mortgage Backed Securities	25,667	-	-	25,667	26,121
Corporate Bonds	18,171	-	-	18,171	18,552
Other	11,396	697	101	12,194	12,244
	$ 782,999	$ 77,272	$ 33,185	893,456	890,784
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:					
Guaranteed Investment Contracts				404,731	404,731
Fidelity Funds				104,670	104,670
Limited Partnerships				2,259	2,259
Other				8,665	8,665
Total Investments				$ 1,413,781	$ 1,411,109
CHEFA owns 100% and CHESLA owns approximately 49% of the investments that are in categories 2 and 3, respectively.					

Derivatives
GASB Technical Bulletin Number 94-1 defines deriv-atives as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. According to this definition, the following State's investments or contracts are considered to be derivatives:

- Short-Term Investment Fund - Adjustable-rate corporate, federal agency, student loan-backed revolving loans, certificates of deposit, and State of Israel securities whose interest rates vary directly with short-term money market indices and are reset daily, monthly, quarterly, or semi-annually.
- Combined Investment Funds - Adjustable rate securities, asset backed securities, indexed Treasury securities, option contracts, collateralized mortgage obligations (CMOs), common stock, and foreign exchange contracts (CMOs are disclosed as mortgage-backed securities on the investments schedule).

The State invests in derivatives in order to increase earnings on investments or to hedge against fluctuations in the value of foreign currencies (as in the case of foreign exchange contracts).

The Mutual Fixed Income Fund (a Combined Investment Fund) invests in collateralized mortgage obligations (CMOs) and asset backed securities (ABSs). These are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgages or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 1998, the fund held CMOs of $610.9 million and ABSs of $152.9 million.

The Commercial Mortgage Fund (a Combined Investment Fund) investments in common stock include a subordinated residual interest in a securitized portfolio of commercial mortgage loans (the CMO residual). The single class of related senior bonds has been paid in full during the year. As of June 30, 1998, the CMO residual had an estimated fair value of $85.1 million.

Foreign exchange contracts are used to facilitate transactions in foreign securities and to manage the funds currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the funds' investments against currency fluctuations. Losses may arise from changes in the value of foreign currencies or failure of the counterparties to perform under the contracts' terms.

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute to lend its securities through a lending agent to authorized broker-dealers and banks for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

During the year, the funds' lending agent lent securities similar to the types on loan at year-end and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The funds' lending agent did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102% of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the market value of the loaned securities. In the event any borrower fails to return the loaned securities or pay distributions thereon, the funds' lending agent is contractually obligated to purchase replacement securities, or return the cash collateral. At year end, the funds had no credit exposure to borrowers because the amounts the funds owed the borrowers exceeded the amounts the borrowers owed the funds.

All securities loans can be terminated on demand by either the funds or the borrowers. Cash collateral is invested in the lending agent's investment collateral pool, which at year-end had a weighted average maturity of 35 days. The weighted average duration of the loans was unknown, although it is assumed to remain at one day. A percentage of the investment collateral pool is invested in overnight instruments and money market mutual funds to enable it to meet normal liquidity needs.

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Note 5

LOANS

Loans receivable for the primary government and its component units, as of June 30, 1998, consisted of the following (amounts in thousands):

	Primary Government					
	Special Revenue	Enterprise	Trust and Agency	Higher Education	Total	Component Units
Mortgage	$ -	$ -	$ -	$ -	$ -	$ 2,743,718
Industrial	-	-	-	-	-	177,310
Housing	204,387	91,364	-	-	295,751	-
Clean Water	60,886	-	437,586	-	498,472	
Student	-	-	-	23,900	23,900	-
Other	139,983	-	56	7,506	147,545	73,135
Less:						
Allowance for Losses	-	2,375	-	2,108	4,483	51,069
Loans Receivable Net	$ 405,256	$ 88,989	$ 437,642	$29,298	$961,185	$ 2,943,094

The mortgage loan program consists of home, multi-family and construction loan mortgages made by the Connecticut Housing Finance Authority. Most home loans are insured by the Federal Housing Administration or guaranteed by the Veterans Administration. In addition, some home and multi-family loans are insured or guaranteed by private insurers. Permanent loans earn interest at rates ranging from 0% to 13.5% and have initial terms of 10 to 40 years. Construction loans earn interest at rates ranging from 0% to 10.88%. Upon completion of each development, the related permanent mortgage loan, which will generally be provided by the Authority, will be payable over 30 to 40 years at annual interest rates ranging from 0% to 10.38%.

The Clean Water fund loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2% and are secured by the full faith and credit or revenue pledges of the municipalities, or both.

The industrial loan program consists of loans made by the Connecticut Development Authority to finance the purchase of land, buildings, and equipment by qualified applicants and to finance other economic development programs of the Authority. These loans are collateralized by assets acquired from the proceeds of the related loans. These receivables have originating terms of 1 to 25 years and earn interest at rates ranging from 3% to 12%. As of June 30, l998, loans in the amount of $49.9 million (including loans of $8.9 million made by other lending institutions) were insured by an insurance fund created by the Authority and by the faith and credit pledged by the State. This insurance fund had net assets of $8.4 million at year end. Thus, the State is contingently liable in the event of any defaulted loans that could not be paid out of the assets of the insurance fund.

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Note 6

TAXES RECEIVABLE

Taxes receivable consisted of the following as of June 30, 1998 (amounts in thousands).

	Funds	
	General	**Special Revenue**
Sales and Use	$ 319,128	$ -
Income Taxes	47,461	-
Public Service Corporations	33,052	-
Hospital Gross Receipts	33,584	-
Gasoline and Special Fuel	-	44,859
Various Other	37,688	-
Taxes Receivable	$ 470,913	$ 44,859

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Note 7

RESTRICTED ASSETS

Restricted assets are defined as resources which are restricted by legal or contractual requirements. As of June 30, 1998, restricted assets for the primary government and its component units were comprised of the following (amounts in thousands):

	Primary Government Enterprise					Component Units				
	Debt Service	Bradley Int'l Airport	John Dempsey Hospital (9-30-97)	Trust and Agency Clean Water Fund	Total	Connecticut Housing Finance Authority (12-31-97)	Connecticut Resources Recovery Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Total
Cash and Cash Equivalents	$498,400	$53,536	$ 8,099	$ -	$ 560,035	$ -	$ 69,729	$ -	$ 120,537	$ 190,266
Investments	-	9,218	1,239	375,473	385,930	317,806	7,701	12,830	586,553	924,890
Interest Receivable	1,813	642	-	-	2,455	4,087	826	-	2,118	7,031
Mortgage & Lease Receivable	-	-	-	-	-	-	-	-	2,706,454	2,706,454
Other	-	940	-	-	940	-	-	-	6,295	6,295
Total	$500,213	$64,336	$ 9,338	$ 375,473	$ 949,360	$ 321,893	$ 78,256	$ 12,830	$ 3,421,957	$ 3,834,936

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Note 8

PROPERTY, PLANT, AND EQUIPMENT

(1) A summary of changes in general fixed assets is as follows (amounts in thousands):

	Balance 7/1/97	Additions	Retirements	Balance 6/30/98
Land	$ 330,721	$ 7,063	$ 2,007	$ 335,777
Buildings	1,900,296	128,938	70,474	1,958,760
Improvements Other Than Buildings	264,248	12,066	44,522	231,792
Machinery and Equipment	1,113,499	78,353	46,394	1,145,458
Construction in Progress	211,616	161,729	51,211	322,134
Total	$ 3,820,380	$ 388,149	$ 214,608	$ 3,993,921

(2) Property, plant, and equipment for the primary government and its component units consisted of the following as of June 30, 1998 (amounts in thousands):

	Primary Government			
	Enterprise	Internal Service	Higher Education	Component Units
Land	$ 2,840	$ -	$ 38,582	$ 21,937
Buildings	135,553	-	1,072,119	184,946
Improvements Other than Buildings	115,811	95	89,515	132
Machinery and Equipment	66,053	119,704	552,922	185,725
Construction In Progress	4,398		239,951	-
Subtotal	324,655	119,799	1,993,089	392,740
Less Accumulated Depreciation	130,288	81,716	234,688	142,427
Total	$ 194,367	$ 38,083	$1,758,401	$ 250,313

The following estimated useful lives are used to compute depreciation: Buildings 10-60 years; Land Improvements 2-50 years; Machinery and Equipment 2-21 years.

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Note 9

STATE RETIREMENT SYSTEMS

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS) - consisting of Tier I (contributory), Tier II (noncontributory) and Tier IIA (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS).

SERS and JRS are administered by the State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division. TRS is administered by the Teachers' Retirement Board. None of the above mentioned systems issue stand-alone financial reports.

Plan Descriptions, Funding Policy, and Annual Pension Cost and Net Pension Obligation

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/97	TRS 6/30/96	JRS 9/30/97
Retirees and beneficiaries receiving benefits	31,642	17,950	192
Terminated plan members entitled to but not yet receiving benefits	743	5,950	-
Active plan members	50,601	41,370	193
Total	82,986	65,270	385

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living adjustments, contributions requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Tier I Plan B and Hazardous Duty members are required to contribute 2% and 4% respectively, of their salary up to the Social Security Taxable Wage Base plus 5% above that level; Tier I Plan C members are required to contribute 5% of their annual salary; Tier IIA members are required to contribute 2% and hazardous duty members are required to contribute 5%. The State is required to contribute at an actuarially determined rate. For fiscal year 1998, the annual required contribution (ARC) was $567.6 million; however, in accordance with the provisions of collectively negotiated agreements, the State only contributed $334.8 million (including federal and other reimbursements) to the plan. Administrative costs of the plan are funded by the State.

Teachers Retirement System

Plan Description

TRS is a single-employer defined-benefit pension plan covering any teacher, principal, superintendent or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183nn of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6% of their annual salary. The State is required to contribute at an actuarially determined rate. For fiscal year 1998, the ARC was $211.0 million; however, the State contributed $179.4 million to the plan, reflecting a reduction of $31.6 million by the legislature to the State's TRS appropriation. Administrative costs of the plan are funded by the State.

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6% of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Annual Pension Cost, Net Pension Obligation, and Related Information

The State's annual pension cost and net pension obligation to SERS, TRS, and JRS for the current year were as follows (amounts in thousands):

	SERS	TRS	JRS
Annual required contribution	$ 567,635	$211,019	$9,309
Interest on net pension obligation	123,872	67,780	3
Adjustment to annual required contribution	(61,215)	(38,921)	(2)
Annual pension cost	630,292	239,878	9,310
Contributions made	334,846	179,365	9,309
Increase (decrease) in net pension obligation	295,446	60,513	1
Net pension obligation beginning of year	1,457,327	797,416	33
Net pension obligation end of year	$1,752,773	$ 857,929	$ 34

Actuarial information related to the calculation of the annual required contribution for SERS, TRS, and JRS is as follows:

	SERS	TRS	JRS
Actuarial valuation date	6/30/97	6/30/96	9/30/97
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay
Remaining amortization period	34 years	17-36 years	33 years
Asset valuation method	5-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions:			
Investment rate of return*	8.5%	8.5%	8.5%
Projected salary increases*	3.25%-14.0%	5.0% - 8.1%	5.5%
*Includes inflation at	6.0%	5.0%	5.5%
Cost-of-living adjustments	2.5%-4.0%	4.0%	3.0% - 5.5%

Three-year trend information is as follows (amounts in thousands):

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
SERS	1996	$ 546,878	61.3%	$ 1,209,430
	1997	597,128	58.5	1,457,327
	1998	630,293	53.1	1,752,773
TRS	1996	$ 194,880	71.8%	$ 739,191
	1997	206,110	71.8%	797,416
	1998	239,878	74.8%	857,929
JRS	1996	$ 9,209	100%	$32
	1997	9,343	100	33
	1998	9,310	100	34

Defined Contribution Plan

The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees Retirement Division. Plan provisions, including contributions requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5% of their annual salaries. The State is required to contribute 8% of covered salary. During the year, plan members and the State contributed $ 13,761.8 million and $ 21,745.1 million, respectively.

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Note 10

OTHER RETIREMENT SYSTEMS ADMINISTERED BY THE STATE

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees' Retirement System (CPJERS). Although these retirement systems are included as pension trust funds in the State's financial statements, the State makes no contribution and has no financial liability other than a fiduciary responsibility.

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	CMERS 6/30/97	CPJERS 12/31/97
Retirees and beneficiaries receiving benefits	4,063	185
Terminated plan members entitled to but not receiving benefits	97	33
Active plan members	7,560	360
Total	11,720	578
Number of participating employers	159	1

Connecticut Municipal Employees' Retirement System

Plan Description

CMERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 2.25% to 5.0% of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the participating municipalities.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

Plan members are required to contribute 1.0% to 3.75% of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

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Note 11

DEFERRED COMPENSATION PLAN

The State of Connecticut offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees in a permanent position, including elected and appointed officials and members of the General assembly, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until retirement, termination of employment, disability, unforeseeable emergency or death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. Participants' rights under the plan are equal to those of general creditors of the State in an amount equal to the fair market value of the deferred account for each participant. At this time, the State believes that it is unlikely that it will use the assets of the plan to satisfy the claims of general creditors in the future.

Based on Article V of the State of Connecticut Deferred Compensation Plan, the State has no liability for losses under any employee selected plan. The State does have the duty of due care that would be of an ordinary prudent investor.

In 1996 Congress changed the provisions of IRC Section 457 to require that new plans will not be considered eligible deferred compensation plans unless all assets and income of the plans are held in trust for the benefit of the participants and their beneficiaries. For plans in existence at the time the law was changed, a trust will need to be established by January 1, 1999.

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Note 12

POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the State provides postretirement health care and life insurance benefits, in accordance with State statutes, Sections 5-257(d) and 5-259(a), to all employees who retire from the State.

Currently 31,631 retirees meet those eligibility requirements. When employees retire, the State pays 100% of their health care insurance premium cost (including dependent's coverage). In addition, the State pays 100% of the premium cost for a portion of the employees' life insurance continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree had with the State at time of retirement as follows: a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than $7,500; (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest $100. The State finances the cost of postretirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund. During the year ended June 30, 1998, $129.5 million was paid in postretirement benefits.

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Note 13

CAPITAL AND OPERATING LEASES

a. State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

1999	$ 13,963
2000	14,952
2001	15,263
2002	15,354
2003	15,449
Thereafter	14,264
Total	$ 89,245

Contingent revenues for the year ended June 30, 1998, were $1.6 million.

b. State as Lessee

Obligations under capital leases and operating leases as of June 30, 1998, were $73.1 million for capital leases and $80.2 million for noncancelable operating leases in excess of one year. The following is a schedule of annual future minimum payments under these obligations along with the present value of the related net minimum capital lease payments discounted at approximately 6% as of June 30, 1998 (amounts in thousands):

	Operating Leases	Capital Leases General Long-term
1999	$ 21,730	$ 8,507
2000	16,739	5,880
2001	11,346	4,981
2002	8,540	4,780
2003	5,922	4,098
Thereafter	15,946	44,816
Total future minimum payments	$ 80,223	73,062
Less: Imputed interest		24,844
Present value of net minimum lease payments		$ 48,218

Rental and lease payments for equipment charged to expenditures during the year ended June 30, 1998, totaled $ 41.3 million.

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Note 14

CHANGES IN GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 1998(amounts in thousands):

	Balance July 1, 1997	Issuances and Other Increases	Retirements and Other Decreases	Increase (Decrease) Accreted Value	Balance June 30, 1998
General Obligation Notes	$ 157,055	$ -	$ 79,000	$ -	$ 78,055
General Obligation Bonds	6,338,847	951,667	752,704	47,284	6,585,094
Transportation Related Bonds	3,209,771	423,513	500,769	1,627	3,134,142
Expendable Trust Fund Obligations	954,505	80,000	158,690	-	875,815
Unfunded Pension Costs	2,303,271	879,480	572,015	-	2,610,736
Compensated Absences	260,338	45,896	42,483	-	263,751
Worker's Compensation	282,775	40,330	44,178	-	278,927
Capital Leases	49,214	3,573	4,569	-	48,218
Claims and Judgements	13,598	4,931	9,000	-	9,529
Total General Long-Term Debt Account Group	**$ 13,569,374**	**$ 2,429,390**	**$ 2,163,408**	**$ 48,911**	**$ 13,884,267**

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types reflects the net proceeds from the sale of bonds and notes in the amount of $1,380.2 million. This amount includes discounts on the sale of certain bonds and premium and accrued interest received at the time of sale in the amount of $24.5 million and non-cash proceeds of $24.2 million of private placement bonds.

Additionally, $951.7 million of issuances and other increases for general obligation bonds includes $99.5 million of bonds issued by the University of Connecticut for which the State of Connecticut will pay the principal and interest.

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Note 15

DEBT

Economic Recovery Notes

In November 1995, $236.1 million of General Obligation Economic Recovery notes were issued to refinance $240.7 million in notes which were due in 1995-96.

The economic recovery notes outstanding at June 30 were $78.1 million. These notes mature on various dates through 1999 and bear original interest rates from 4.25% to 5%.

The following is a description of the future amounts (in thousands) needed to pay principal and interest on economic recovery notes outstanding at June 30, 1998.

Year Ending June 30,	Principal	Interest	Total
1999	$78,055	$2,829	$80,884

General Obligation Bonds

General obligation bonds are those bonds that are paid out of the revenues of the General fund and that are supported by the full faith and credit of the State. General obligation bonds outstanding and bonds authorized but unissued at June 30 were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	1998-2018	3.4-9.875%	$ 1,862,635	$ 387,925
School Construction	1998-2012	3.75-9.75%	840,519	12,099
Municipal & Other Grants & Loans	1998-2018	3.7-9.5%	1,544,730	409,685
Elderly Housing	2003-2011	7-7.5%	28,055	-
Elimination of Water Pollution	1998-2020	4.6-7.525%	314,488	34
General Obligation Refunding	2001-2015	2.40-9.75%	1,443,652	-
Miscellaneous	2001-2017	4.625-7.5%	81,670	18,367
			6,115,749	$ 828,110
Accretion-Various Capital Appreciation Bonds			469,345	
		Total	$ 6,585,094	

Future amounts (in thousands) needed to pay principal and interest on general obligation bonds outstanding at June 30,1998, were as follows:

Year Ending June 30	Principal	Interest	Total
1999	$ 519,274	$ 335,274	$ 854,548
2000	501,821	336,895	838,716

2001	486,524	300,046	786,570
2002	459,731	272,865	732,596
2003	401,244	255,272	656,516
Thereafter	3,747,155	1,847,709	5,594,864
Total	$ 6,115,749	$ 3,348,061	$ 9,463,810

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds and general obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the debt service fund for retirement of principal and interest.

Transportation related bonds outstanding and bonds authorized but unissued at June 30 were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Transportation	1998-1999	6.60-6.70%	$ 10,000	$ 3
Specific Highways	2017	4.25-5.50%	10,598	9,302
Infrastructure Improvements	1998-2017	2.65%-10%	3,050,357	457,062
General Obligation Refunding	2004	5.15-9.75%	40,845	-
Other	1998-2008	4.218-9.25%	10,610	317
			3,122,410	$ 466,684
Accretion-various Capital Appreciation Bonds			11,732	
		Total	$ 3,134,142	

Future amounts (in thousands) required to pay principal and interest on transportation related bonds outstanding at June 30 were as follows:

Year Ending June 30	Principal	Interest	Total
1999	$ 174,149	$ 164,197	$ 338,346
2000	170,649	159,136	329,785
2001	181,125	146,548	327,673
2002	181,645	137,094	318,739
2003	193,865	127,796	321,661
Thereafter	2,220,977	699,840	2,920,817
Total	$ 3,122,410	$ 1,434,611	$ 4,557,021

Demand Bonds

Included in general obligation bonds, there are variable rate demand bonds in the amount of $100 million. The bonds were issued in May 1997 to fund various State programs (e.g., community conservation development, economic development and manufacturing assistance, regional economic development, etc.) and will mature in the year 2014. Starting in the year 2005, the bonds will be subject to mandatory annual redemption in the principal amount of $10 million plus accrued interest (these amounts are included in the debt service schedule). Concerning the issuance of the bonds, the State signed various agreements, including a "Remarketing Agreement" with a broker/dealer firm and a "Standby Bond Purchase Agreement" with a foreign bank.

The bonds bear interest at a weekly rate or at a flexible rate for a flexible rate period, which cannot be longer than 270 days. Initially, all bonds bear interest at the weekly rate. After that, the bonds may be converted from time to time to the flexible rate or weekly rate at the option of the State. The State's remarketing agent determines the weekly or flexible rate and applicable flexible rate period.

Bonds bearing interest at the weekly rate are subject to purchase at the option of the holder at a purchase price equal to principal and accrued interest, if any, on a minimum seven days' notice and delivery to the State's agent. In addition, all bonds are subject to mandatory purchase upon (1) conversion from the weekly rate to the flexible rate or vice versa, (2) the end of each flexible rate period, and (3) expiration or substitution of the Standby Bond Purchase Agreement. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase.

The Standby Bond Purchase Agreement requires the bank to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus (for bonds bearing interest at the weekly rate) accrued interest up to 35 days at an annual interest rate not to exceed 15%. Bonds purchased by the bank will bear an interest rate initially equal to (1) for bonds held for up to 30 days after the purchase date, the Federal funds rate plus .50%; (2) for bonds held for more than 30 days but less than 90 days after the purchase date, the Federal rate plus 1.00%; and (3) for bonds held for more than 90 days after the purchase date, the higher of (a) the base commercial lending rate announced from time to time by the bank, or (b) the Federal funds rate plus .50%.

The State is required under the Standby Bond Purchase Agreement to pay to the bank a quarterly fee of .065% per annum of the available commitment as of each payment date. The available commitment is an amount equal to the sum of the bond principal and accrued interest that the bank is committed to purchase under the agreement. Such amount was initially set in the agreement at $101.4 million and is adjusted from time to time according to provisions in the agreement. If the rating on the bonds were to fall below certain levels, or be withdrawn or suspended, the bank fee could go as high as .135% per annum.

The Standby Bond Purchase Agreement expires in the year 2002 and could be extended annually for another year. If certain events of default described in the agreement were to occur, the agreement could be terminated prior to that date.

Expendable Trust Fund Obligations

In July, August, and September 1993, the State issued $1,020.7 million of Special Assessment Unemployment Compensation Advance Fund revenue bonds. The issuance of these special obligation revenue bonds was for the purpose of repaying loans made by the United States to Connecticut for payment of unemployment compensation benefits and assisting the State in meeting a portion of its unemployment compensation benefit obligations until increased employer assessments are levied. These bonds mature on various dates through 2001 and bear interest rates from 3.1% to 5.5% and shall be payable solely from the Unemployment Compensation Advance Fund and revenues and requisitional funds specifically pledged for their payment.

The State has no contingent obligation either directly or indirectly with the payment of these bonds.

Future amounts (in thousands) needed to pay principal and interest on special assessment unemployment compensation bonds were as follows:

Year Ending June 30	Principal	Interest	Total
1999	$ 115,000	$ 29,949	$ 144,949
2000	143,270	24,827	168,097
2001	150,265	16,898	167,163
2002	281,220	5,541	286,761
Total	$ 689,755	$ 77,215	$ 766,970

On November 1996, the State issued $100 million of Second Injury Fund special assessment revenue bonds. The bonds were issued to reduce long-term liabilities of the fund by settling claims on a one-time lump sum basis. The bonds bear fixed interest rates ranging from 4.25% to 6.00% and mature each year at various amounts through the year 2012, starting on January 1 of 1998. Because the bonds will be paid solely from future assessment revenue of the fund, the State has no contingent obligation either directly or indirectly for the payment of such bonds.

Future amounts (in thousands) needed to pay principal and interest on Second Injury Fund special assessment revenue bonds were as follows:

Year Ending June 30	Principal	Interest	Total
1999	$ 4,880	$ 4,989	$ 9,869
2000	5,100	4,769	9,869
2001	5,330	4,540	9,870
2002	5,595	4,273	9,868
2003	5,875	3,994	9,869
Thereafter	69,280	19,520	88,800
Total	$ 96,060	$ 42,085	$ 138,145

Additionally, the bond indenture allows for the periodic issuance of subordinated Bond Anticipation Notes (BANs) in the form of commercial paper. As of June 30, 1998, the fund had $90 million in outstanding BANs. The State intends on replacing these BANs with long-term bonds in 1999, and has entered into a Revolving Credit Agreement that ensures that the BANs can be refinanced on a long-term basis.

Interest Rate Swap Agreements

The State has entered into interest rate swap agreements for the following outstanding debt:

Type	Face Value (000's)	Interest Rate	Maturity Date
Transportation - STO's	$201,100	variable	2010

Based on these agreements, the State pays a fixed interest rate to the counterparty to the swap, and the counterparty pays the State a variable interest rate that is determined by the agreement. The State continues to make payments to the bondholders, and only the net difference in interest payments is exchanged with the counterparty. By entering into these agreements, the State has in effect exchanged its variable rate liability for a fixed rate obligation.

The agreements call for the following exchange of interest rates:

Counterparty	Face Value (000's)	Interest Rate Assumed by State	Interest Rate Assumed by Counterparty
AIG Corp.	$ 120,700	5.75%	65% of 1 - month LIBOR* rate
Sumitomo Bank	$ 80,400	5.70%	65% of 1 - month LIBOR* rate

* The primary fixed income index reference rates used in the Euro-markets. Most international floating rates are quoted as LIBOR plus or minus spread.

Regarding these agreements, the State is exposed to the market risk relating to the relationship between the variable interest rate on the bonds (which is reset weekly) and the rate that it receives under the swap agreements (which is 65% of 1-month LIBOR).

Both agreements are guaranteed by the counterparties, and the agreement with AIG Corp. has a collateral agreement which goes into effect if the credit rating of AIG falls below a defined level.

Revenue Bonds
Revenue bonds are those bonds that are paid out of resources pledged in the enterprise funds, nonexpendable trust funds, higher education funds, and component units. Revenue bonds outstanding at June 30 were as follows:

Fund Type	Maturity Dates	Interest Rates	Amounts Outstanding (000's)
Primary government:			
Enterprise:			
Bradley International Airport	2012	7.0 - 9.125%	$ 84,690
Rental Housing	1999-2003	5.25 - 9.15%	111,765
John Dempsey Hospital (as of 9-30-97)	2001-2009	7.125%	1,386
Nonexpendable: Clean Water Fund	2011-2018	4.05 - 10.0%	464,300
Higher Education :			
Investment in Plant	2000-2017	4.30 - 8.25%	128,724
Premium on Clean Water Fund bonds sold			4,944
		Total	$ 795,809
Component Units:			
CT Development Authority	1999-2019	4.2 - 7.6%	$ 124,815
CT Housing Finance Authority (as of 12-31-97)	1999-2028	3.75 - 9.8%	3,127,855
CT Resources Recovery Authority	1999-2016	4.5 - 8.0%	301,469
CT Higher Education Supplemental Loan Authority	1999-2107	4.4 - 7.5%	87,980
CT Health & Educational Facilities Authority	1998-2024	4.32 - 14.94%	2,828,290
Discount on CHFA Bonds Sold			(31,330)
		Total	$ 6,439.079

Revenue bonds issued by the component units do not constitute a liability or debt of the State, and the State is only contingently liable for these bonds as discussed in this section.

The following is a description of revenue bonds with restrictive covenants:

Primary Government:
Bradley International Airport's revenue bonds were issued in 1982 in the amount of $100 million to finance costs of improvements to the airport. As of June 30, 1998, the following bonds were outstanding:

a. Airport revenue refunding bonds in the amount of $81.3 million. These bonds were issued in October, 1992, to redeem the 1982 revenue bonds, and are secured by and payable solely from the gross operating revenues generated by the State from the operations of the airport and other receipts, funds or monies pledged in the bond indenture. In accordance with this indenture, certain assets of this fund have been restricted for the payment of bond principal and interest, construction projects and other uses.
b. Airport subordinated refunding bonds in the amount of $3.4 million. These bonds were issued in 1989 to help pay for certain expenses (e.g. issuance costs, redemption premium) incurred in the issuance of the 1992 refunding bonds.

In 1994, the State of Connecticut issued Clean Water Fund revenue bonds in the amount of $325.2 million. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of waste water treatment projects.

Component Units

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. Under the Umbrella Program, bonds outstanding at June 30, 1998, were $65.7 million. Assets totaling $69.6 million are pledged under the terms of the bond resolution for the payment of principal and interest on these bonds until such time as it is determined that there are surplus funds as defined in the bond resolution. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section. In addition, the Authority had $59.1 million in general obligation bonds outstanding at year end. These bonds were issued to finance the lease of an entertainment/sports facility, the purchase of a hockey team, and the construction of a music amphitheatre.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate income families and persons throughout the State. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's general fund, and (3) all monies and securities of the Authority's general and capital reserve funds. The capital reserve fund is required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in the next succeeding calendar year ($304 million at 12/31/97) on all outstanding bonds. In addition, all assets of the Authority's general and capital reserve funds ($3,397 million) are restricted until such time as they are determined to be "surplus funds."

Connecticut Resources Recovery Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Connecticut Health and Educational Facilities Authority's revenue bonds are issued to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions. The Authority generally holds title to, or has first mortgages on, the buildings and related facilities financed by the bonds. The terms of the lease, mortgage and loan payments receivable from the institutions correspond to the amortization requirements of related bonds payable. On final payment of a bond issue, the title to or security interest in the building and related facilities reverts to the institution. Prior to July 1, 1979, the Authority issued general obligation bonds for which the Authority is ultimately responsible for the payment of principal and interest when due. After July 1, 1979, the Authority has issued only special obligation bonds for which the principal and interest is payable solely from the revenues of the institutions. At year end, the Authority had $9.4 million and $2,818.9 million in outstanding general obligation and special obligation bonds, respectively.

Each Authority has established special capital reserve funds which secure all the outstanding bonds of the Authority at year end (except as discussed below). These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so. For the Connecticut Resources Recovery Authority and the Connecticut Health and Educational Facilities Authority, bonds

outstanding at year end in the amount of $276.5 million and $313.5 million, respectively, were secured by the special capital reserve funds.

At June 30, 1998, two Connecticut Health and Educational Facilities Authority bond issues totaling $59.9 million and secured by the special capital reserve funds were in default under their respective loan agreements. It is unknown at this time what the loss to the State will be as a result of the defaults. However, during the year the State advanced $4.0 million to the Authority to replenish the special capital reserve funds.Future amounts (in thousands) required to pay principal and interest on revenue bonds outstanding at June 30, 1998, were as follows:

	Primary Government							
Year Ending	Enterprise Funds		Nonexpendable Trust		Higher Education Funds		Component Units	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1999	$ 13,660	$ 9,950	$ 21,705	$ 12,772	$ 6,725	$ 6,604	$ 190,787	$ 343,211
2000	13,800	9,696	22,630	23,773	5,989	6,613	212,911	331,928
2001	15,118	11,571	24,915	22,480	5,802	6,594	228,198	319,544
2002	4,029	10,311	25,460	21,093	7,766	6,525	230,332	304,528
2003	4,462	9,481	26,010	19,657	7,358	6,418	217,776	292,840
Thereafter	146,772	28,639	343,580	143,851	95,084	82,883	5,390,405	3,286,764
	$ 197,841	$ 79,648	$ 464,300	$ 243,626	$ 128,724	$ 115,637	$6,470,409	$4,878,815

No-commitment Debt

Under the Self-Sustaining Bond Program, the Con-necticut Development Authority issues revenue bonds to finance such projects as described previously in the component units section. These bonds are paid solely from payments received from participating companies (or from proceeds of sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances and activity of the Self-Sustaining Bond Program are not included in the Authority's financial statements. Total bonds issued at June 30, 1998 were $134.5 million.

The Connecticut Resources Recovery Authority has issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan agreements between the Authority and the operators. Certain of these bonds are secured by letters of credit. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable to Authority purposes). In the event of default, payment of the debt is not guaranteed by the Authority or the State except for the State's contingent liability discussed below. Thus, the assets and liabilities related to these bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 1998 were $320.7 million bearing interest rates ranging from 3.8% to 8.625%. Of this amount, $163.6 million was secured by a special capital reserve fund. The State may be contingently liable for any deficiencies in the fund as explained previously in the component units section.

Debt Refundings

During the year, the State advance refunded the following bonds (amounts in million).

Refunded Bonds	Average Interest Rate	Bond Type	Refunding Bonds Issued	Average Interest Rate
$ 262.6	5.97%	General Obligation	$ 273.6	5.19%
$ 258.9	6.05%	Special Tax Obligation	$ 262.9	5.28%

The proceeds of the refunding bonds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The State advance refunded these bonds to reduce its total debt service payments over the next fifteen years by $29.1million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $22.1 million. As of June 30, 1998, $2,140.7 million of outstanding general obligation, special tax obligation, and revenue bonds (including prior year's refundings) are considered defeased.

Note Payable

An installment note for $12.3 million to acquire a telecommunication system was established between the University of Connecticut and Connecticut Bank and Trust Co. in 1988 with an interest rate of 7.55% and final maturity in April 1999. Future amounts (in thousands) required to pay principal and interest on the note outstanding were as follows:

Year Ending June 30,	Principal	Interest	Total
1999	$ 1,608	$ 48	$ 1,656

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Note 16

RISK MANAGEMENT

The risk financing and insurance program of the State is managed by the State Insurance Purchasing Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance con-tract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule below lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

Risk of Loss	Risk Financed by	
	Purchase of Commercial Insurance	Self-Insurance
Liability (Torts):		
General (State buildings,parks, or grounds)		X
Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions: Professional liability	X	
Medical malpractice (University Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of, theft of, damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand.

When purchasing commercial insurance, the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

For the last three fiscal years, the amount of settlements did not materially exceed insurance coverage.

Most State employees and retirees participate in three health plans. For one of these plans, the State is self-insured. This plan is administered by an outside vendor which is responsible for the processing and payment of claims. As of June 30, 1998, claims incurred by the plan exceeded claims paid by the plan by $47.4 million.

The State records its risk management activities in the General fund, except for activities related to the medical malpractice risk which are recorded in the John Dempsey Hospital fund. At year end, a liability for unpaid claims is recorded in each fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability is determined based on the ultimate cost of settling the claims, including an

amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities for medical malpractice and for workers' compensation are actuarially determined. The liability for medical malpractice is reported at its present value, using a discount rate of 5%. The portion of the General fund liability considered to be long-term is recorded in the General Long-Term Debt account group. Changes in the claims liability accounts during the last two fiscal years were as follows (amounts in thousands):

	General Liability	Medical Malpractice*	Workers' Compensation	Health Plan
Balance 6-30-96	$ 683	$ 9,064	$ 268,150	$ 26,333
Incurred claims	1,859	-	58,391	282,632
Paid claims	(683)	(276)	(43,766)	(248,643)
Balance 6-30-97	1,859	8,788	282,775	60,322
Incurred claims	64	-	40,330	271,610
Paid claims (44,178)	(1,859)	(354)	(44,178)	(44,178)
Balance 6-30-98	$ 64	$ 8,434	$ 278,927	$ 47,410

* Changes in the liability account are for fiscal years ending on 9-30-96 and 9-30-97.

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Note 17

INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payable balances at June 30, 1998, were as follows (amounts in thousands):

	Interfund Receivables	Interfund Payables
Fund		
General	$ 18,222	$ 70,325
Special Revenue:		
Transportation	8,539	525
Workers' Compensation	193	164
Banking	-	164
Consumer Counsel & Public Utility Control	-	199
Insurance	-	216
Criminal Injuries	173	-
Regional Market	-	8
Soldiers, Sailors, & Marines	747	669
Employment Security	1,564	1,162
Grant and Loan Programs	-	14,102
Environmental Programs	6,066	305
Housing Programs	-	26
Other	-	125
	17,282	17,665
Debt Service	-	5,352
Capital Projects:		
State Facilities	8,918	2,085
Infrastructure	-	1,120
Transportation	-	55
	8,918	3,260
Enterprise:	-	441
Bradley		
John Dempsey Hospital (as of 9-30-97)	1,467	4,035
CT Lottery Corporation	-	7,627
Other	-	8
	1,467	12,111
Internal Service:		
Correction Industries	161	5
Administrative Services	3,201	1,514
	3,362	1,519
Expendable Trust:		
Employment Security	493	7,800
Retired Teachers	2,066	-
	2,559	7,800
Nonexpendable Trust:		
Soldiers, Sailors, & Marines	-	747

Other	3	151
	3	898
Pension Trust:		
State Employees	6,177	-
State Teachers	-	2,066
Judicial	-	630
CT Probate Judges	-	7
	6,177	2 ,703
Agency:		
Payroll & Fringe Benefit	3,252	-
Receipts & Pending Distribution	-	8,111
	3,252	8,111
Higher Education & University Hospital:		
Current Unrestricted	53,427	5,414
Current Restricted	1	1,632
Loan	-	469
Plant Funds	63,150	77,822
Agency Funds	1,779	17
	118,357	85,354
Component Units:		
CT Development Authority	13,437	-
CT Health & Educational Facilities Authority	77,520	59,961
CT Innovations, Incorporated	674	-
	91,631	**59,961**
Totals	**$271,230**	**$275,059**

As of June 30, 1998, interfund payables exceeded interfund receivables by $3.8 million; and residual equity transfer in exceeded residual equity transfer out by $212 thousand. These differences were caused by the different reporting period used by John Dempsey Hospital, which is 9-30-97.

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Note 18

RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS/NET ASSETS AND CHANGE IN ACCOUNTING ESTIMATE

As of June 30, 1998, the beginning fund balances/retained earnings/net assets for the following funds were restated as follows (amounts in thousands):

Fund	Balance 6-30-97 Previously Reported	Fund Reclas-sification	GASB Statement No. 31	Correction of Reported Assets/ Liabilities	Balance 6-30-97 as Restated
Special Revenue:					
Environmental					
Programs	$ 148,142	$ (1,153)	$ -	$ -	$ 146,989
Enterprise:					
Rental Housing	35,373	-	2,835	4,589	42,797
Expendable Trust:					
Other	1,770	544	1,014	-	3,328
Nonexpendable Trust:					
Other	23,813	581	1,351	-	25,745
Investment Trust:					
External Investment Pool	-	-	691,788	-	691,788
Higher Education:					
Unrestricted	60,861	-	-	(2,894)	57,967
Restricted	29,863	-	-	967	30,830
Endowment	14,444	-	1,449	-	15,893
Loan	30,088	-	-	49	30,137
Plant	1,693,882	-	-	(224,917)	1,468,965

As part of implementing GASB Statement No. 31 (see Note 1a), the State reported certain fund's investments at fair value, which were reported at cost or amortized cost in prior years. The State also added a new fund to its financial reporting entity, the external investment pool fund (an investment trust fund).

As of June 30, 1998, the University of Connecticut recorded depreciation in its Plant funds. The cumulative effect of implementing this accounting change ($215 million) is reported as a restatement of beginning fund balance.

For the year ended June 30, 1988, the State universities calculated the liability for accrued compensated absences based on salary rates in effect as of the balance sheet date. In previous years, the liability was calculated based on certain factors and assumptions including salary rate increases, vesting provisions, discount rate and other assumptions related to employee age and probability of cash settlement. The cumulative effect of this change in accounting estimate (11.2 million) is reported as a decrease in fund balance in the combined statements of changes in fund balances and current funds revenues, expenditures, and other changes.

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Note 19

RESERVED RETAINED EARNINGS, RESERVED FUND BALANCES, AND CONTRIBUTED CAPITAL

Reserved Retained Earnings

Bradley International Airport, an enterprise fund, has $29.5 million restricted for debt service requirements and other programs of the airport. The Connecticut Lottery Corporation, an enterprise fund, has $9 thousand restricted for programs of the Corporation. The Connecticut Housing Finance Authority, a component unit, has $390 million restricted for debt service requirements and other programs of the Authority. The Connecticut Resources Recovery Authority, a component unit, has $17.5 million restricted for specific purposes.

Contributed Capital

The following is a summary of changes in the contributed capital accounts for the year ended June 30, 1998 (amounts in thousands):

	Primary Government	Component Units	
	Bradley International Airport	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated
Balance July 1, 1997	$ 101,361	$ 2,108	$ 75,451
Contributions	393	-	2,325
Items added back to retained earnings	-	(147)	-
Adjustments	-	-	-
Balance June 30, 1998	**$ 101,754**	**$ 1,961**	**$ 77,776**

Reserved Fund Balances

These balances are comprised as follows (amounts in thousands):

	Fund Type				
Reserved For	General	Special Revenue	Debt Service	Trust and Agency	Higher Education
Petty Cash	$ 1,052	$ -	$ -	$ -	$ -
Budget Reserve	498,604	-	-	-	-
Inventories	34,291	11,730	-	-	-
Continuing Appropriations	372,339	49,885	-	-	-
Debt Service	232,149	41,187	498,418	-	-
Loans	-	405,256	-	-	-
Pension Obligations	-	-	-	18,337,969	-
Trust Activities	-	-	-	372,159	-
Restricted	-	-	-	-	276,751
Pool Participants	-	-	-	959,164	-
	$ 1,138,435	**$ 508,058**	**$ 498,418**	**$ 19,669,292**	**$276,751**

Reserved for continuing appropriations represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved amounts in Higher Education represent amounts restricted for specific educational programs by federal grants, private gifts and endowments, and amounts reserved for student loans and debt service.

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Note 20

SEGMENT INFORMATION - ENTERPRISE FUNDS

The State maintains five enterprise funds which provide financing for State housing programs, airport services, hospital operations, lottery programs, and vocational education. Segment information for the year ended June 30, 1998, is as follows (amounts in thousands):

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-97)	CT Lottery Corporation	Other
Operating Revenue	$ 1,370	$ 35,646	$ 118,188	$ 805,613	$ 2,072
Depreciation and Amortization Expense	4	8,265	6,849	484	6
Operating Income (Loss))	(6,663	7,985	(6,332)	256,427	(110)
Operating Transfers In	8,344	-	-	-	-
Operating Transfers Out	-	-	-	(266,569)	-
Net Non-operating Revenues (Expenses)	4,476	4,284	673	1,680	-
Net Income (Loss)	6,157	12,269	(5,659)	(8,462)	(110)
Contributed Capital	-	101,754	-	-	350
Property, Plant & Equipment Additions (Deletions)	(4)	71	(3,901)	424	(2)
Net Working Capital	7,959	11,029	29,208	(4,153)	780
Total Assets	164,103	216,347	127,064	651,367	1,144
Bond and Other Long-Term Liabilities Payable from Operating Revenue	111,765	84,690	1,386	-	-
Total Equity	48,954	126,244	92,430	9	943

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Note 21

CONDENSED FINANCIAL STATEMENTS (amounts in thousands)
COMPONENT UNITS

Balance Sheets

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-97)	Connecticut Resources Recovery Authority	Connecticut Health & Educational Facilities Authority	Other	Total
Assets:						
Current assets	$ 280,719	$ 3,240,627	$ 76,218	$ 91,247	$ 159,692	$ 3,848,503
Property, plant, and equipment	18,615	2,905	228,428	189	176	250,313
Restricted assets	-	321,893	78,256	3,421,957	12,830	3,834,936
Other assets	5,834	61,504	14,988	-	1,182	83,508
Total Assets	$ 305,168 $	3,626,929	$ 397,890	$ 3,513,393	$ 173,880	$8,017,260
Liabilities and Equity:						
Liabilities:						
Current liabilities	$ 17,308	$ 35,106	$ 27,856	$ 126,429	$ 4,151	$ 210,850
Revenue bonds	124,815	3,096,525	301,469	2,828,290	87,980	6,439,079
Other liabilities	4	92,133	22,513	544,942	-	659,592
Total Liabilities	142,127	3,223,764	351,838	3,499,661	92,131	7,309,521
Equity:						
Contributed Capital	162,340	-	1,961	-	77,776	242,077
Retained earnings	701	403,165	44,091	13,732	3,973	465,662
Total Equity	163,041	403,165	46,052	13,732	81,749	707,739
Total liabilities and Equity	$ 305,168	$ 3,626,929	$ 397,890	$ 3,513,393	$ 173,880	$ 8,017,260

Statements of Revenues, Expenditures, and Changes in Equity

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-97)	Connecticut Resources Recovery Authority	Connecticut Health & Educational Facilities Authority	Other	Total
Operating Revenues	$ 26,378	$ 207,147	$ 147,859	$ 146,008	$ 8,162	$535,554
Operating Expenses:						
Depreciation and amortization	293	4,127	17,078	54	317	21,869
Other	27,191	212,707	107,328	145,465	10,557	503,248
Operating Income (Loss)	(1,106)	(9,687)	23,453	489	(2,712)	10,437
Nonoperating Revenues (Expenses)	6,914	43,299	(14,073)	774	17,220	54,134
Net Income (Loss) for the Year	5,808	33,612	9,380	1,263	14,508	64,571
Equity - beginning	157,233	369,553	36,672	12,469	64,916	640,843
Capital contributions	-	-	-	-	2,325	2,325
Equity - ending	**$163,041**	**$ 403,165**	**$ 46,052**	**$ 13,732**	**$ 81,749**	**$ 707,739**

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State of Connecticut

June 30,1998

Note 22

RELATED ORGANIZATIONS

Related organizations are legally separate organizations which are not financially accountable to the State. However, these organizations are still related to the State as discussed next.

The State appoints a voting majority of the following organizations' governing boards, the Community Economic Development Fund and the Connecticut Student Loan Foundation. The State's accountability for these organizations does not extend beyond making the appointments. As of June 30, 1998, the Connecticut Student Loan Foundation owed the State $18.2 million under a revolving loan agreement.

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Note 23

COMMITMENTS AND CONTINGENCIES

A. **Commitments**
At June 30, 1998, the State, including its component units, had the following outstanding commitments:

1. Infrastructure (highways, roads, etc.) and other construction contracts and miscellaneous contracts with various vendors totaling approximately $1,316 million of which $750.6 million is expected to be reimbursed by Federal grants.
2. School construction and alteration grants with various towns for $887.3 million and interest costs of $347.3 million for a total of $1,234.6 million. Funding for these projects is expected to come from bond sales.
3. Loan commitments, mortgage and grant programs, and loan guarantees totaling approximately $372.7 million. Funding for these programs is expected to come from bond sales.

B. **Contingent Liabilities**
The Legislature has enacted legislation to assist the City of West Haven by authorizing the State to guarantee debt issued by the City in an amount up to $35 million. At year end, the debt outstanding guaranteed by the State was $21 million.

The State has entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

C. **Litigation**
The State, its units and employees are parties to numerous legal proceedings many of which normally occur in governmental operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the State.

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Note 24

SUBSEQUENT EVENTS

In July, $185.4 million of general obligation bonds were issued. $105.4 million were issued for the purpose of advance refunding and will mature at various dates through 2008, and bearing interest rates of 5.65% to 6.14%.

Also, $80 million which were originally issued in 1996 with variable interest rates were converted to fixed rates. These bonds mature at various dates though 2006 and bear interest rates of 5.65% to 6.12%.

In September, $225 million of special tax obligation bonds for transportation infrastructure programs were issued. These bonds mature on various dates though 2018 and bear interest rates of 4.0% to 5.5%.

In October, $230 million of general obligation bonds were issued, maturing at various dates through 2018 and having interest rates of 3.40% to 5.25%.

In December, the Treasurer determined that two nursing homes which were in receivership and had defaulted on their loan payments to the Connecticut Health and Educational Facilities Authority (CHEFA) were not likely to generate sufficient revenue to make scheduled principal and interest payments on $59.2 million of CHEFA's outstanding revenue bonds. Since these bonds are secured by special capital reserve funds, the Treasurer has made a determination to treat the State's obligation to fund the special capital reserve funds over the term of the Bonds as debt for purposes of calculating the debt limit of the State. As a result, the obligation to pay debt service on such Bonds is reclassified as a direct long term debt obligation of the State in fiscal year 1999. The State intends to defease the Bonds from amounts reserved for debt retirement from the June 30, 1998 unappropriated surplus.

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Note 25

YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The State of Connecticut has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting State operations. The State has identified fifty top priority systems requiring year 2000 remediation. Contracts totaling $3.9 million have been issued as of June 30, 1998. The fifty systems identified have been grouped in the following table.

SYSTEMS	Awareness		Assessment		Remediation		Validation & Testing	
In Process/Completed	IP	C	IP	C	IP	C	IP	C
Central accounting, payroll and retirement systems		X		X		X	X	
Other financial reporting and tax collection		X		X	X		X	
Legal and administrative systems		X		X	X		X	
Regulatory and protective systems		X		X	X		X	
Social service and child welfare systems		X		X		X	X	
Educational systems		X		X	X		X	
Judicial systems		X		X	X		X	
Public health systems		X		X	X		X	
Inmate management systems		X		X		X	X	
Construction Management Systems		X		X		X	X	
Clinical information systems		X		X	X		X	

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the State is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the State does business will be year 2000 ready.

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Required Supplementary Information
Schedules of Funding Progress
(Expressed in Millions)

Actuarial Valuation Date		(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
SERS							
6/30/92		$3,425.9	$6,668.7	$3,242.8	51.4%	$1,931.4	167.9%
6/30/93		$3,696.2	$7,189.7	$3,493.5	51.4%	$2,144.8	162.9%
6/30/94		$3,944.5	$7,329.2	$3,384.7	53.8%	$2,155.9	157.0%
6/30/95		$4,209.2	$7,838.2	$3,629.0	53.7%	$2,325.8	156.0%
6/30/96		$4,604.2	$8,138.6	$3,534.4	56.6%	$2,385.5	148.2%
6/30/97		$5,131.0	$8,833.2	$3,702.2	58.1%	$2,244.0	165.0%
TRS							
6/30/92		$4,848.0	$7,278.2	$2,430.2	66.6%	$1,841.9	131.9%
6/30/93	*	-	-	-	-	-	-
6/30/94		$5,602.1	$8,222.6	$2,620.5	68.1%	$2,030.4	129.1%
6/30/95	*	-	-	-	-	-	-
6/30/96		$6,648.2	$9,626.8	$2,978.6	69.1%	$2,151.6	138.4%
6/30/97	*	-	-	-	-	-	-
*No actuarial valuations were performed as of June 30, 1993, 1995 and 1997							
JRS							
9/30/92		$52.0	$130.6	$78.6	39.8%	$16.2	485.2%
9/30/93		$57.2	$141.3	$84.1	40.5%	$18.1	464.6%
9/30/94		$63.2	$148.0	$84.8	42.7%	$18.5	458.4%
9/30/95		$70.5	$154.7	$84.2	45.6%	$19.2	438.5%
9/30/96		$77.8	$161.5	$83.7	48.2%	$19.5	429.2%
9/30/97		$87.8	$167.5	$79.7	52.4%	$20.2	394.6%
MERS							
6/30/92		$545.0	$539.0	$(6.0)	101.1%	$203.0	(3.0)%
6/30/93		$601.0	$586.0	$(15.0)	102.6%	$214.6	(7.0)%
6/30/94		$653.0	$635.0	$(18.0)	102.8%	$226.0	(8.0)%
6/30/95		$711.0	$661.0	$(50.0)	107.6%	$237.0	(21.1)%
6/30/96		$782.0	$692.2	$(89.8)	113.0%	$242.8	(37.0)%
6/30/97		$872.0	$731.1	$(140.9)	119.3%	$246.0	(57.3)%

PJRS

For the Probate Judges Retirement System because the UAAL is zero, the actuarial cost method becomes the aggregate cost method and a schedule of funding progress is not required.

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State of Connecticut

Required Supplementary Information
Schedules of Employer Contributions
(Expressed in Millions)

Fiscal Year	SERS Annual Required Contribution	SERS Percentage Contributed	TRS Annual Required Contribution	TRS Percentage Contributed	JRS Annual Required Contribution	JRS Percentage Contributed	MERS Annual Required Contribution	MERS Percentage Contributed	PJRS Annual Required Contribution	PJRS Percentage Contributed
1993	$444.2	65.5%	$299.6	37.3%	$7.8	100.0%	$24.1	100.0%	$-	0.0%
1994	$480.4	64.6%	$145.8	85.2%	$8.3	100.0%	$23.1	100.0%	$-	0.0%
1995	$535.3	54.3%	$154.0	86.0%	$9.0	100.0%	$22.2	100.0%	$-	0.0%
1996	$501.1	66.9%	$164.7	85.0%	$9.2	100.0%	$23.2	100.0%	$0.35	100.0%
1997	$542.8	64.3%	$174.0	85.0%	$9.3	100.0%	$21.3	100.0%	$0.32	100.0%
1998	$567.6	59.0%	$211.0	85.0%	$9.3	100.0%	$18.8	100.0%	$0.20	n/a

Note: During 1993-1995, the only contributions to the Probate Judges Retirement System were the required member contributions.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	SERS	TRS	JRS	MERS	PJRS
Valuation date	6/30/97	6/30/96	9/30/97	6/30/97	12/31/97
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit	Entry age	Entry Age
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Flexible amortization	-
Remaining amortization period	34 Years	17-36 Years	33 Years	25 Years	-
Asset valuation method	5 year smoothed market	4 year smoothed market	4 year smoothed market	Adjusted market	Adjusted Market
Actuarial assumptions:					
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%
Projected salary increases	3.3-14.0%	5.0-8.1%	5.5%	7.0-7.5%	7.50%
Includes inflation at	6%	5%	5.5%	4.5%	3.5%
Cost-of-living adjustments	2.5-4%	4%	3.0-5.5%	3.0-5.0%	3%

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Special Revenue Funds

Special Revenue funds account for the proceeds of specific revenue sources (other than expendable trusts, major capital projects, and higher education sources) that are legally restricted for specified purposes. Significant Special Revenue Funds include the following:

Transportation Fund:
to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Workers' Compensation Administration:
to account for assessments collected for the purpose of covering the administrative costs of the Workers' Compensation Commission.

Banking:
to account for monies collected from various banking institutions throughout the state.

Consumer Counsel and Public Utility Control:
to account for monies collected from various public utility companies.

Insurance:
to account for monies collected from authorized insurers within the state.

Criminal Injuries Compensation:
to account for monies collected from the criminal injuries board.

Regional Market Fund:
to account for rents and other monies collected for the purpose of providing for the payment of expenses relating to the operation and maintenance of the regional market.

Mashantucket Pequot Fund:
to account for casino gambling monies collected from the Mashantucket Pequot Tribe in Ledyard to be used for the purpose of distribution to towns.

Soldiers, Sailors, and Marines Fund:
to account for interest earned for the purpose of furnishing food, wearing apparel, medical or surgical care, or funeral expenses of soldiers, sailors, and marines who served in any branch of military service.

Employment Security Administration:
to account for monies collected from various sources for the purpose of defraying the cost of the administration of unemployment compensation.

Grants and Loan Programs:
to account for monies collected for the purpose of giving various grants to local governments, organizations, and individuals.

Environmental Programs:
to account for monies collected for the purpose of providing funds for various environmental programs throughout the state.

Housing Programs:
to account for monies collected for the purpose of providing funds for various housing programs throughout the state.

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State of Connecticut

Combining Balance Sheet
Special Revenue Funds
June 30, 1998
(Expressed in Thousands)

	Transportation	Workers' Compensation	Banking	Consumer Counsel and Public Utility Control	Insurance	Criminal Injuries	Mashantucket Pequot Fund
Assets:							
Cash and Cash Equivalents	$ 54,121	$ 10,627	$ 12,458	$ 1,645	$ 5,626	$ 1,397	$ 45,009
Investments:							
Other	-	-	-	-	-	-	-
Receivables:							
Taxes	44,859	-	-	-	-	-	-
Accounts, Net of Allowances	3,353	-	-	-	-	-	-
Loans, Net of Allowances	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Federal Grants Receivable	9,253	-	-	-	-	-	-
Non Federal Grants Receivable	21,726	-	-	-	-	-	-
Due From Other Funds	8,539	193	-	-	-	173	-
Receivable From Other Governments	1,153	-	-	-	-	-	-
Inventories and Prepaid Items	11,730	-	-	-	-	-	-
Total Assets		**$ 10,820**	**$ 12,458**	**$ 1,645**	**$ 5,626**	**$ 1,570**	**$ 45,009**
Liabilities and Fund Balances:							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 24,967	$ 1,213	$ 461	$ 1,868	$ 634	$ 420	$ -
Due to Other Funds	525	164	164	199	216	-	-
Due to Component Units	-	-	-	-	-	-	-
Deferred Revenue.	16,195	-	-	2,741	3,248	-	-
Total Liabilities		**1,377**	**625**	**4,808**	**4,098**	**420**	**-**
Fund Balances:							
Reserved for Debt Service	41,187	-	-	-	-	-	-
Reserved for Inventories	11,730	-	-	-	-	-	-
Reserved for Loans	-	-	-	-	-	-	-
Reserved for Continuing Appropriations	48,081	770	1,034	-	-	-	-
Unreserved, undesignated	12,049	8,673	10,799	(3,163)	1,528	1,150	45,009
Total Fund Balances		9,443	11,833	(3,163)	1,528	1,150	45,009
Total Liabilities and Fund Balances	**$ 154,734**	**$ 10,820**	**$ 12,458**	**$ 1,645**	**$ 5,626**	**$ 1,570**	**$ 45,009**

	Regional Market	Soldiers, Sailors & Marines	Employment Security Administration	Grant & Loan Programs	Environmental Programs	Housing Programs	Other	Total
Assets:								
Cash and Cash Equivalents	$ 255	$ -	$ 11,120	$ 120,836	$ 66,245	$ 31,337	$ 76,005	$ 436,681
Investments:								
Other	-	-	-	-	23,160	-	-	23,160

Receivables:								
Taxes	-	-	-	-	-	-	-	44,859
Accounts, Net of Allowances	-	-	-	488	-	1,425	377	5,643
Loans, Net of Allowances	-	-	-	139,983	60,886	204,387	-	405,256
Interest	-	-	-	428	15	29	31	503
Federal Grants Receivable	-	-	-	-	-	-	-	9,253
Non Federal Grants Receivable	-	-	-	-	-	-	-	21,726
Due From Other Funds	-	747	1,564	-	6,066	-	-	17,282
Receivable From Other Governments	-	-	13,318	76	-	1,973	-	16,520
Inventories and Prepaid Items	-	-	-	-	-	-	-	11,730
Total Assets	**$ 255**	**$ 747**	**$ 26,002**	**$ 261,811**	**$ 156,372**	**$ 239,151**	**$ 76,413**	**$ 992,613**
Liabilities and Fund Balances:								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 25	$ 78	$ 4,354	$ 7,727	$ 3,179	$ 370	$ 6,057	$ 51,353
Due to Other Funds	8	669	1,162	38	305	26	125	3,601
Due to Component Units	-	-	-	14,064	-	-	-	14,064
Deferred Revenue.	-	-	566	390	3,192	3,235	-	29,567
Total Liabilities	**33**	**747**	**6,082**	**22,219**	**6,676**	**3,631**	**6,182**	**98,585**
Fund Balances:								
Reserved for Debt Service	-	-	-	-	-	-	-	41,187
Reserved for Inventories	-	-	-	-	-	-	-	11,730
Reserved for Loans	-	-	-	139,983	60,886	204,387	-	405,256
Reserved for Continuing Appropriations	-	-	-	-	-	-	-	49,885
Unreserved, undesignated	222	-	19,920	99,609	88,810	31,133	70,231	385,970
Total Fund Balances	222	-	19,920	239,592	149,696	235,520	70,231	894,028
Total Liabilities and Fund Balances	**$ 255**	**$ 747**	**$ 26,002**	**$ 261,811**	**$ 156,372**	**$ 239,151**	**$ 76,413**	**$ 992,613**

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State of Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Special Revenue Funds

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Transportation	Workers' Compensation	Banking	Consumer Counsel Public Utility Control	Insurance	Criminal Injuries	Mashantucket Pequot Fund	Regional Market
Revenues:								
Taxes	$ 523,665	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses, Permits and Fees.	290,062	-	13,747	6	315	1,826	-	44
Intergovernmental	101,275	-	-	-	-	12	-	-
Charges for Services.	23,567	-	4	-	-	-	-	-
Fines, Forfeits and Rents	-	-	60	23	-	-	-	773
Investment Earnings	5,818	783	-	-	-	70	-	9
Miscellaneous	-	19,317	8	11,376	12,401	23	-	30
Total Revenues	944,387	20,100	13,819	11,405	12,716	1,931	-	856
Expenditures:								
Current:								
Legislative	-	-	-	-	-	-	-	-
General Government	1,627	-	-	-	-	-	135,000	-
Regulation and Protection	105,148	21,079	12,228	13,064	13,234	-	-	-
Consevation & Development.	-	-	-	-	-	-	-	570
Health & Hospitals	-	-	-	-	-	-	-	-
Transportation	340,449	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-
Education, Libraries, and Museums	-	-	-	-	-	-	-	-
Corrections	-	-	-	-	-	-	-	-
Judicial.	-	-	-	-	-	2,105	-	-
Federal and Other Grants	98,263	-	-	-	-	-	-	-
Debt Service:								
Principal Retirement	86,054	-	-	-	-	-	-	102
Interest and Fiscal Charges	46,906	-	-	-	-	-	-	100
Total Expenditures	678,447	21,079	12,228	13,064	13,234	2,105	135,000	772
Excess (Deficiency) of Revenues Over Expenditures	265,940	(979)	1,591	(1,659)	(518)	(174)	(135,000)	84
Other Financing Sources (Uses):								
Proceeds from Sale of Bonds	-	-	-	-	-	-	-	-
Operating Transfers In	33,011	-	-	-	-	-	180,000	-
Operating Transfers Out	(324,373)	-	-	-	-	-	-	-
Capital Lease Obligations	-	-	-	123	-	-	-	-
Total Other Financing Sources (Uses)	(291,362)	-	-	123	-	-	180,000	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(25,422)	(979)	1,591	(1,536)	(518)	(174)	45,000	84
Fund Balances (deficit) - July 1 (as restated)	138,026	10,422	10,242	(1,627)	2,046	1,324	9	138

Equity Trans. to Component Units Contributed Capital	-	-	-	-	-	-	-	-
Changes in Reserves for Inventories	443	-	-	-	-	-	-	-
Fund Balances (deficit) - June 30	**$ 113,047**	**$ 9,443**	**$ 11,833**	**$ (3,163)**	**$ 1,528**	**$ 1,150**	**$ 45,009**	**$ 222**

	Soldiers, Sailors & Marines	Employment Security Administration	Grant & Loan Programs	Environmental Programs	Housing Programs	Other	Total
Revenues:							
Taxes	$ -	$ -	$ -	$ 21,661	$ -	$ 13	$ 545,339
Licenses, Permits and Fees.	-	2	-	14,188	-	28,614	348,804
Intergovernmental	-	97,241	-	-	-	8,930	207,458
Charges for Services.	-	2	-	2,133	-	21	25,727
Fines, Forfeits and Rents	-	1	-	215	-	-	1,072
Investment Earnings	-	879	4,062	2,571	1,599	1,275	17,066
Miscellaneous	-	818	6,449	496	4,348	1,095	56,361
Total Revenues	-	98,943	10,511	41,264	5,947	39,948	1,201,827
Expenditures:							
Current:							
Legislative	-	-	-	-	-	38	38
General Government	214	-	40,896	2,450	-	3,435	183,622
Regulation and Protection	-	103,388	98	-	-	27,956	296,195
Conservation & Development.	-	-	77,853	67,172	35,444	944	181,983
Health & Hospitals	-	-	1,215	-	-	2,428	3,643
Transportation	-	-	2,188	-	-	-	342,637
Human Services	2,811	-	8,532	-	-	1,330	12,673
Education, Libraries, and Museums	-	-	183,783	-	-	1,147	184,930
Corrections	-	-	1,496	-	-	2,095	3,591
Judicial.	-	-	-	-	-	8,184	10,289
Federal and Other Grants	-	-	-	-	-	-	98,263
Debt Service:							
Principal Retirement	-	-	-	-	-	-	86,156
Interest and Fiscal Charges	-	-	-	486	-	-	47,492
Total Expenditures	3,025	103,388	316,061	70,108	35,444	47,557	1,451,512
Excess (Deficiency) of Revenues Over Expenditures	(3,025)	(4,445)	(305,550)	(28,844)	(29,497)	(7,609)	(249,685)
Other Financing Sources (Uses):							
Proceeds from Sale of Bonds	-	-	291,745	59,847	50,739	15,000	417,331
Operating Transfers In	3,025	4,404	1,976	9	-	326	222,751
Operating Transfers Out	-	-	-	(28,637)	(1,522)	(761)	(355,293)
Capital Lease Obligations	-	1,673	26	332	11	2	2,167
Total Other Financing Sources (Uses)	3,025	6,077	293,747	31,551	49,228	14,567	286,956
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	-	1,632	(11,803)	2,707	19,731	6,958	37,271
Fund Balances (deficit) - July 1 (as restated)	-	18,288	253,720	146,989	215,789	63,273	858,639
Equity Trans. to Component Units Contributed	-	-	(2,325)	-	-	-	(2,325)

Capital							
Changes in Reserves for Inventories	-	-	-	-	-	-	443
Fund Balances (deficit) - June 30	**$ -**	**$ 19,920**	**$ 239,592**	**$ 149,696**	**$ 235,520**	**$ 70,231**	**$ 894,028**

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State of Connecticut

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Transportation			Workers' Compensation		
	Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
Revenues:						
Budgeted						
Taxes, Net of Refunds	$ 524,200	$ 523,915	$ (285)	$ -	$ -	$ -
Operating Transfers In	3,000	3,015	15	-	-	-
Licenses, Permits, and Fees	292,600	293,653	1,053	-	-	-
Other.	35,500	35,430	(70)	22,000	20,100	(1,900)
Federal Grants	3,100	3,115	15	-	-	-
Operating Transfers Out	(250)	(250)	-	-	-	-
Total Budgeted	**858,150**	**858,878**	**728**	**22,000**	**20,100**	**(1,900)**
Federal and Other Restricted	378,278	179,412	(198,866)	-	-	-
Total Revenues	**1,236,428**	**1,038,290**	**(198,138)**	**22,000**	**20,100**	**(1,900)**
Expenditures:						
Budgeted						
General Government	2,178	1,710	468	-	-	-
Regulation and Protection	92,618	85,704	6,914	22,484	20,652	1,832
Conservation and Development	-	-	-	-	-	-
Transportation.	309,682	284,111	25,571	-	-	-
Human Services	-	-	-	-	-	-
Non Functional	480,670	427,674	52,996	-	-	-
Total Budgeted	885,148	799,199	85,949	22,484	20,652	1,832
Federal and Other Restricted	378,278	179,412	198,866	-	-	-
Total Expenditures	1,263,426	978,611	284,815	22,484	20,652	1,832
Appropriations Lapsed.	37,868	-	(37,868)	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	**10,870**	**59,679**	**48,809**	**(484)**	**(552)**	**(68)**
Other Financing Sources (Uses):						
Prior Year Appropriations Carried Forward	19,564	19,564	-	925	925	-
Appropriations Continued to Fiscal Year 1998-99	-	(48,081)	(48,081)	-	(770)	(770)
Transfers Between Funds	-	-	-	-	-	-
Miscellaneous Adjustments	-	260	260	-	-	-
Total Other Financing Sources (Uses)	**19,564**	**(28,257)**	**(47,821)**	**925**	**155**	**(770)**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	**$ 30,434**	**31,422**	**$ 988**	**$ 441**	**(397)**	**$ (838)**
Budgetary Fund Balances - July 1		**350,601**			**11,371**	
Changes in Reserves		(83,655)			(155)	
Budgetary Fund Balances - June 30		**$ 298,368**			**$ 10,819**	

	Banking			Consumer Counsel & Public Utility Control			Insurance		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:									
Budgeted									
Taxes, Net of Refunds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating Transfers In	-	-	-	-	-	-	-	-	-
Licenses, Permits, and Fees	15,600	13,818	(1,782)	-	-	-	-	-	-
Other.	-	-	-	15,000	12,567	(2,433)	14,000	12,559	(1,441)
Federal Grants	-	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
Total Budgeted	**15,600**	**13,818**	**(1,782)**	**15,000**	**12,567**	**(2,433)**	**14,000**	**12,559**	**(1,441)**
Federal and Other Restricted	-	-	-	-	-	-	-	-	-
Total Revenues	**15,600**	**13,818**	**(1,782)**	**15,000**	**12,567**	**(2,433)**	**14,000**	**12,559**	**(1,441)**
Expenditures:									
Budgeted									
General Government	-	-	-	-	-	-	-	-	-
Regulation and Protection	16,594	12,240	4,354	14,401	13,284	1,117	13,189	12,896	293
Conservation and Development	-	-	-	-	-	-	-	-	-
Transportation.	-	-	-	-	-	-	-	-	-
Human Services	-	-	-	-	-	-	-	-	-
Non Functional	-	-	-	-	-	-	-	-	-
Total Budgeted	**16,594**	**12,240**	**4,354**	**14,401**	**13,284**	**1,117**	**13,189**	**12,896**	**293**
Federal and Other Restricted	-	-	-	-	-	-	-	-	-
Total Expenditures	16,594	12,240	4,354	14,401	13,284	1,117	13,189	12,896	293
Appropriations Lapsed.	-	-	-	-	-	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	**(994)**	**1,578**	**2,572**	**599**	**(717)**	**(1,316)**	**811**	**(337)**	**(1,148)**
Other Financing Sources (Uses):									
Prior Year Appropriations Carried Forward	1,000	1,000	-	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 1998-99		- (1,034)	(1,034)	-	-	-	-	-	-
Transfers Between Funds	-	-	-	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-	86	86	-
Total Other Financing Sources (Uses)	**1,000**	**(34)**	**(1,034)**	**-**	**-**	**-**	**86**	**86**	**-**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$ 6	1,544	$ 1,538	$ 599	(717)	$ (1,316)	$ 897	(251)	$ (1,148)
Budgetary Fund Balances - July 1		**10,879**			**2,362**			**5,877**	
Changes in Reserves		34			-			-	
Budgetary Fund Balances - June 30		**$ 12,457**			**$ 1,645**			**$ 5,626**	

	Criminal Injuries Compensation			Mashantucket Pequot and Mohegan Fund		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Budgeted						
Taxes, Net of Refunds	$-	$-	$-	$-	$-	$-
Operating Transfers In	-	-	-	180,000	180,000	-
Licenses, Permits, and Fees	-	-	-	-	-	-

Other.	1,900	1,931	31	-	-	-
Federal Grants	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-
Total Budgeted	1,900	1,931	31	180,000	180,000	-
Federal and Other Restricted	-	-	-	-	-	-
Total Revenues	1,900	1,931	31	180,000	180,000	-
Expenditures:						
Budgeted						
General Government	-	-	-	-	-	-
Regulation and Protection	1,900	1,900	-	-	-	-
Conservation and Development	-	-	-	-	-	-
Transportation	-	-	-	-	-	-
Human Services	-	-	-	-	-	-
Non Functional	-	-	-	135,000	135,000	-
Total Budgeted	1,900	1,900	-	135,000	135,000	-
Federal and Other Restricted	-	-	-	-	-	-
Total Expenditures	**1,900**	**1,900**	**-**	**135,000**	**135,000**	**-**
Appropriations Lapsed	-	-	-	-	-	-
Excess (Deficiency) of Revenues Over Expenditures	-	31	31	45,000	45,000	-
Other Financing Sources (Uses):						
Prior Year Appropriations Carried Forward	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 1998-99	-	-	-	-	-	-
Transfers Between Funds.	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$-	31	$31	$45,000	45,000	$-
Budgetary Fund Balances - July 1		**1,539**			**9**	
Changes in Reserves		**-**			**-**	
Budgetary Fund Balances - June 30		**$1,570**			**$45,009**	

	Regional Market			Soldiers, Sailors, and Marines			Total		
	Budget	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**	**Budget**	**Actual**	**Variance**
Revenues:									
Budgeted									
Taxes, Net of Refunds	$-	$-	$-	$-	$-	$-	$524,200	$523,915	$(285)
Operating Transfers In	-	-	-	-	-	-	183,000	183,015	15
Licenses, Permits, and Fees	-	-	-	-	-	-	308,200	307,471	(729)
Other.	850	856	6	3,500	2,914	(586)	92,750	86,357	(6,393)
Federal Grants	-	-	-	-	-	-	3,100	3,115	15
Operating Transfers Out	-	-	-	-	-	-	(250)	(250)	-
Total Budgeted	**850**	**856**	**6**	**3,500**	**2,914**	**(586)**	**1,111,000**	**1,103,623**	**(7,377)**
Federal and Other Restricted	-	-	-	-	-	-	378,278	179,412	(198,866)
Total Revenues	**850**	**856**	**6**	**3,500**	**2,914**	**(586)**	**1,489,278**	**1,283,035**	**(206,243)**
Expenditures:									
Budgeted									
General Government	-	-	-	270	193	77	2,448	1,903	545

Regulation and Protection	-	-	-	-	-	-	161,186	146,676	14,510
Conservation and Development	629	576	53	-	-	-	629	576	53
Transportation	-	-	-	-	-	-	309,682	284,111	25,571
Human Services	-	-	-	3,145	2,840	305	3,145	2,840	305
Non Functional	203	202	1	-	-	-	615,873	562,876	52,997
Total Budgeted	**832**	**778**	**54**	**3,415**	**3,033**	**382**	**1,092,963**	**998,982**	**93,981**
Federal and Other Restricted	-	-	-	-	-	-	378,278	179,412	198,866
Total Expenditures	**832**	**778**	**54**	**3,415**	**3,033**	**382**	**1,471,241**	**1,178,394**	**292,847**
Appropriations Lapsed	-	-	-	-	-	-	37,868	-	(37,868)
Excess (Deficiency) of Revenues Over Expenditures	18	78	60	85	(119)	(204)	55,905	104,641	48,736
Other Financing Sources (Uses):									
Prior Year Appropriations Carried Forward	-	-	-	-	-	-	21,489	21,489	-
Appropriations Continued to Fiscal Year 1998-99	-	-	-	-	-	-	-	(49,885)	(49,885)
Transfers Between Funds.	-	-	-	-	-	-	-	-	-
Miscellaneous Adjustments	-	-	-	-	-	-	86	346	260
Total Other Financing Sources (Uses)	**-**	**-**	**-**	**-**	**-**	**-**	**21,575**	**(28,050)**	**(49,625)**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$18	78	$60	$85	(119)	$(204)	$77,480	76,591	$(889)
Budgetary Fund Balances - July 1		**177**			**(303)**			**382,512**	
Changes in Reserves		**-**			**-**			**(83,776)**	
Budgetary Fund Balances - June 30		**$255**			**$(422)**			**$375,327**	

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State of Connecticut

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure (other than those financed by proprietary funds, trust funds, and higher education funds). Significant Capital Projects Funds are described as follows:

State Facilities:
to account for proceeds of bond issues and other sources and the subsequent expenditures for the construction of various state buildings and structures.

Infrastructure:
to account for the proceeds of bond issues and related capital project grants to finance the State's transportation infrastructure program over a ten-year period. This program encompasses the planning, acquisition, removal, construction, equipping, re-construction, repair, rehabilitation and improvement of, and acquisition of easements and rights-of-way with respect to, State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate substitution program (the "interstate trade-in program"), waterway facilities, aeronautic facilities (excluding Bradley Inter-national Airport), the highway safety program, maintenance garages and administrative facilities of the Department, payment of the State's share of the costs of the local bridge program and payment of State contributions to the local bridge revolving fund.

Other Transportation:
to account for the proceeds of bond issues and related grants to be used for other transportation related capital projects.

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State of Connecticut

Balance Sheet
Capital Projects Funds

June 30, 1998
(Expressed in Thousands)

	State Facilities	Infra-Structure	Transportation	Total
Assets:				
Cash and Cash Equivalents	$ 29,453	$ 54,563	$ 14,941	$ 98,957
Receivables:				
Accounts, Net of Allowances	3	908	103	1,014
Federal Grants Receivable.	-	11,512	461	11,973
Due From Other Funds	8,918	-	-	8,918
Receivable From Other Governments	300	40,295	110	40,705
Total Assets	**$ 38,674**	**$ 107,278**	**$ 15,615**	**$ 161,567**
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	$ 19,297	$ 56,073	$ 4,292	$ 79,662
Due to Other Funds	2,085	1,120	55	3,260
Deferred Revenue	303	2,718	103	3,124
Total Liabilities	21,685	59,911	4,450	86,046
Fund Balances:				
Unreserved, undesignated	16,989	47,367	11,165	75,521
Total Fund Balances	16,989	47,367	11,165	75,521
Total Liabilities and Fund Balances	**$ 38,674**	**$ 107,278**	**$ 15,615**	**$ 161,567**

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State of Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Capital Projects Funds

June 30, 1998
(Expressed in Thousands)

	State Facilities	Infra-Structure	Transportation	Total
Revenues:				
Intergovernmental	$ 1,322	$ 313,493	$ 5,227	$ 320,042
Miscellaneous.	-	724	-	724
Total Revenues	1,322	314,217	5,227	320,766
Expenditures:				
Capital Projects.	164,674	479,486	42,895	687,055
Total Expenditures	164,674	479,486	42,895	687,055
Excess (Deficiency) of Revenues				
Over Expenditures	(163,352)	(165,269)	(37,668)	(366,289)
Other Financing Sources (Uses):				
Proceeds from Sale of Bonds	161,918	136,994	10,598	309,510
Operating Transfers Out	(178,215)	-	-	(178,215)
Capital Lease Obligation	3	-	-	3
Total Other Financing Sources (Uses)	(16,294)	136,994	10,598	131,298
Excess (Deficiency) of Revenues and Other				
Sources Over Expenditures and Other Uses	(179,646)	(28,275)	(27,070)	(234,991)
Fund Balances (deficit) - July 1	196,635	75,642	38,235	310,512
Fund Balances (deficit) - June 30	**$ 16,989**	**$ 47,367**	**$ 11,165**	**$ 75,521**

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State of Connecticut

Enterprise Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Significant Enterprise Funds of the State of Connecticut are described as follows:

Rental Housing Fund:
The Rental Housing Fund is used to account for the financing of various housing programs offered by the State from bond proceeds and the retirement of such obligations. Revenue is received from interest earned on program loans and investment income.

Bradley International Airport:
The airport is owned by the State of Connecticut and is operated by the Bureau of Aeronautics of the State of Connecticut, Department of Transporta-tion. In 1982, the State issued the Airport, 1982 series, Revenue Bonds in the aggregate principal amount of $100,000,000. The bonds were refunded in 1992 with the issuance of $94,065,000 in refunding bonds. The refunding bonds are secured by and payable solely from the gross operating revenues generated by the State from the operations of the Airport and other receipts, funds or monies pledged in the Indenture.

John Dempsey Hospital:
Accounts for the assets, liabilities, revenues and expenses of the Hospital including the Dental Clinics and the Thames River Campus. The Governor appoints the Board of Trustees of the University of Connecticut Health Center, including the Hospital. The Hospital's fiscal year is for the period ending September 30, 1997.

The Connecticut Lottery Corporation:
The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

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State of Connecticut

Combining Balance Sheet
Enterprise Funds

June 30, 1998
(Expressed in Thousands)

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-97)	Connecticut Lottery Corporation	Other	Total
Assets:						
Cash and Cash Equivalents	$ 6,396	$ 11,779	$ 19,759	$ 21,381	$ 628	$ 59,943
Investments:						
Other	63,764	-	111	589,394	-	653,269
Receivables:						
Accounts, Net of Allowances	-	4,269	32,796	10,775	317	48,157
Loans, Net of Allowances	88,989	-	-	-	-	88,989
Interest	4,947	-	-	21,337	-	26,284
Due From Other Funds	-	-	1,467	-	-	1,467
Receivable From Other Governments	-	394	-	-	-	394
Inventories and Prepaid Items	-	110	2,565	481	140	3,296
Restricted Assets	-	64,336	9,338	-	-	73,674
Property, Plant & Equipment	7	131,795	61,028	1,478	59	194,367
Other Assets	-	3,664	-	6,521	-	10,185
Total Assets	**$164,103**	**$ 216,347**	**$ 127,064**	**$ 651,367**	**$ 1,144**	**$ 1,160,025**
Liabilities and Equity:						
Liabilities:						
Accounts Payable and Accrued Liabilities	$ 3,384	$ 4,972	$ 20,779	$ 643,068	$ 157	$ 672,360
Due to Other Funds	-	441	4,035	7,627	8	12,111
Deferred Revenue	-	-	-	663	4	667
Malpractice Liability	-	-	8,434	-	-	8,434
Revenue Bonds	111,765	84,690	1,386	-	-	197,841
Compensated Absences	-	-	-	-	32	32
Total Liabilities	**115,149**	**90,103**	**34,634**	**651,358**	**201**	**891,445**
Equity:						
Contributed Capital	-	101,754	-	-	350	102,104
Retained Earnings:						
Reserved for Lottery Operations	-	-	-	9	-	9
Reserved for Airport Operations	-	29,458	-	-	-	29,458
Unreserved	48,954	(4,968)	92,430	-	593	137,009
Total Retained Earnings	48,954	24,490	92,430	9	593	166,476
Total Equity	48,954	126,244	92,430	9	943	268,580
Total Liabilities and Equity	**$164,103**	**$ 216,347**	**$ 127,064**	**$ 651,367**	**$ 1,144**	**$ 1,160,025**

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State of Connecticut

Combining Statement of Revenues, Expenses and Changes in Retained Earnings Enterprise Funds

For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-97)	Connecticut Lottery Corporation	Other	Total
Operating Revenues:						
Charges for Services	$ -	$ 35,646	$ -	$ -	$ 2,072	$ 37,718
Interest on Financing Activities	1,370	-	-	-	-	1,370
Patient Service Revenue	-	-	117,709	-	-	117,709
Lottery Sales	-	-	-	805,613	-	805,613
Miscellaneous	-	-	479	-	-	479
Total Operating Revenues	**1,370**	**35,646**	**118,188**	**805,613**	**2,072**	**962,889**
Operating Expenses:						
Administrative	463	19,396	36,308	7,893	2,176	66,236
Cost of Sale & Services	-	-	-	540,003	-	540,003
Depreciation and Amortization	4	8,265	6,849	484	6	15,608
Interest on Financing Activities	7,566	-	-	-	-	7,566
Patient Care	-	-	81,363	-	-	81,363
Other	-	-	-	806	-	806
Total Operating Expenses	**8,033**	**27,661**	**124,520**	**549,186**	**2,182**	**711,582**
Operating Income (Loss)	**(6,663)**	**7,985**	**(6,332)**	**256,427**	**(110)**	**251,307**
Nonoperating Revenues (Expenses):						
Interest and Investment Income	4,476	3,988	770	44,048	-	53,282
Interest and Fiscal Charges	-	(6,502)	(97)	(42,710)	-	(49,309)
Other	-	6,798	-	342	-	7,140
Total Nonoperating Income (Expense)	**4,476**	**4,284**	**673**	**1,680**	**-**	**11,113**
Income (Loss) Before Operating Transfers	**(2,187)**	**12,269**	**(5,659)**	**258,107**	**(110)**	**262,420**
Operating Transfers:						
Operating Transfers In	8,344	-	-	-	-	8,344
Operating Transfers Out	-	-	-	(266,569)	-	(266,569)
Net Income (Loss)	6,157	12,269	(5,659)	(8,462)	(110)	4,195
Retained Earnings (deficit) - July 1 (as restated)....	42,797	12,221	97,877	8,471	703	162,069
Residual Equity Transfer In	-	-	212	-	-	212
Retained Earnings (deficit) - June 30	**$ 48,954**	**$ 24,490**	**$ 92,430**	**$ 9**	**$ 593**	**$ 166,476**

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State of Connecticut

Combining Statement of Cash Flows
Enterprise Funds

For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Rental Housing	Bradley International Airport	John Dempsey Hospital (9-30-97)	Connecticut Lottery Corporation	Other	Total
Cash Flows From Operating Activities:						
Operating Income (Loss)	$ (6,663)	$ 7,985	$ (6,332)	$ 256,427	$ (110)	$ 251,307
Adjustments to Reconcile Operating Income (Loss) to Net Cash						
Provided by (Used in) Operating Activities:						
Amortization and Depreciation	4	8,265	6,849	484	6	15,608
Provision for Loan Losses	(49)	-	4,967	806	-	5,724
Interest Expense	7,566	-	-	-	-	7,566
Changes in Assets and Liabilities:			-	-	-	
(Increase) Decrease in Receivables	3,489	(1,127)	(3,157)	(20,568)	32	(21,331)
(Increase) Decrease in Due From Other Funds	5,425	-	219	-	-	5,644
(Increase) Decrease in Receivable From Other Governments	-	(97)	-	-	-	(97)
(Increase) Decrease in Inventories and Prepaid Items	-	6	(433)	(972)	(117)	(1,516)
Increase (Decrease) in Accounts Payable & Accrued Liabilities	-	(171)	(4,628)	(9,396)	27	(14,168)
Increase (Decrease) in Due To Other Funds	(3,893)	(192)	(2,744)	7,628	(1)	798
Issuance of Loans	(463)	-	-	-	-	(463)
Collection of Loans	2,358	-	-	-	-	2,358
Miscellaneous Operating Activities	-	5,806	2	342	10	6,160
Net Cash Provided by (Used in) Operating Activities	7,774	20,475	(5,257)	234,751	(153)	257,590
Cash Flows From Noncapital Financing Activities:						
Retirement of Bonds and Notes Payable	(5,101)	-	-	-	-	(5,101)
Interest on Bonds and Notes Payable	(7,736)	-	-	-	-	(7,736)
Transfers From Other Funds	8,344	-	-	-	-	8,344
Transfers To Other Funds	-	-	-	(258,616)	-	(258,616)
Net Cash Provided by (Used in) Noncapital Financing Activities	(4,493)	-	-	(258,616)	-	(263,109)
Cash Flows From Capital And Related Financing Activities:						
Purchase of Fixed Assets	-	(8,005)	(2,637)	(769)	(4)	(11,415)
Retirement of Bonds Payable	-	(3,030)	(157)	-	-	(3,187)
Interest on Bonds and Notes Payable	-	(6,559)	(73)	-	-	(6,632)
Capital Contributions or Grants	-	393	-	-	-	393
Miscellaneous Capital and Related Financing Activities-Deletions	-	-	(59)	-	-	(59)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	(17,201)	(2,926)	(769)	(4)	(20,900)
Cash Flows From Investing Activities:						
Proceeds From Sale of Investment Securities	-	420	58	56,649	-	57,127
Purchase of Investment Securities	(451)	(9,000)	-	(32,220)	-	(41,671)
Interest and Income on Investments	3,566	3,729	753	1,337	-	9,385
Net Cash Provided by (Used in) Investing Activities	3,115	(4,851)	811	25,766	-	24,841
Increase (Decrease) in Cash	6,396	(1,577)	(7,372)	1,132	(157)	(1,578)

Cash and Cash Equivalents, July 1	-	66,892	35,230	20,249	785	123,156
Cash and Cash Equivalents, June 30	**$ 6,396**	**$ 65,315**	**$ 27,858**	**$ 21,381**	**$ 628**	**$ 121,578**

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State of Connecticut

Internal Service Funds

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governments, on a cost-reimbursement basis. The following operations are included in these funds:

Correction Industries:
to account for the revenues and expenses associated with the sale of goods resulting from the industrial activities of the inmates at correctional institutions.

Administrative Services:
to account for the various activities of the Department of Administrative Services including the purchasing of supplies and data processing equipment for the State, the operations of the motor pool, the operations of data processing services and certain other activities. Revenues consist of user charges to agencies.

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State of Connecticut

Combining Balance Sheet
Internal Service Funds

June 30, 1998
(Expressed in Thousands)

	Correction Industries	Administrative Services	Total
Assets:			
Cash and Cash Equivalents	$ 7,012	$ -	7,012
Receivables:			
Accounts, Net of Allowances	261	4,663	4,924
Due From Other Funds	161	3,201	3,362
Inventories and Prepaid Items	2,075	1,146	3,221
Property, Plant & Equipment	581	37,502	38,083
Other Assets	-	862	862
Total Assets	$ 10,090	$ 47,374	$ 57,464
Liabilities and Equity:			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ 1,193	$ 2,649	$ 3,842
Due to Other Funds.	5	1,514	1,519
Compensated Absences	487	2,334	2,821
Total Liabilities	1,685	6,497	8,182
Equity:			
Contributed Capital	5,730	1,100	6,830
Retained Earnings:			
Unreserved	2,675	39,777	42,452
Total Equity	8,405	40,877	49,282
Total Liabilities and Equity	$ 10,090	$ 47,374	$ 57,464

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State of Connecticut

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings Internal Service Funds

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Correction Industries	Administrative Services	Total
Operating Revenues:			
Charges for Services	$ 15,195	$ 78,636	$ 93,831
Total Operating Revenues	15,195	78,636	93,831
Operating Expenses:			
Cost of Sales and Services	10,928	51,374	62,302
Administative	3,117	12,163	15,280
Depreciation and Amortization	15	16,849	16,864
Total Operating Expenses	14,060	80,386	94,446
Operating Income (Loss)	1,135	(1,750)	(615)
Net Income (Loss)	1,135	(1,750)	(615)
Retained Earnings - July 1	1,540	41,527	43,067
Retained Earnings - June 30	**$ 2,675**	**$ 39,777**	**$ 42,452**

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State of Connecticut

Combining Statement of Cash Flows
Internal Service Funds

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Correction Industries	Administrative Services	Total
Cash Flows From Operating Activities:			
Operating Income (Loss)	$ 1,135	$ (1,750)	$ (615)
Adjustments to Reconcile Operating Income to Net			
Cash Provided by (Used in) Operating Activities:			
Amortization and Depreciation	15	16,849	16,864
Changes in Assets and Liabilities:			
(Increase) Decrease in Receivables	(123)	92	(31)
(Increase) Decrease in Due From Other Funds	(101)	254	153
(Increase) Decrease in Inventories and Prepaid Items	(282)	(325)	(607)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	286	(543)	(257)
Increase (Decrease) in Due To Other Funds	3	(402)	(399)
Miscellaneous Operating Activities	63	1,337	1,400
Net Cash Provided by (Used in) Operating Activities	996	15,512	16,508
Cash Flows From Capital And Related Financing Activities:			
Purchase of Fixed Assets	-	(15,512)	(15,512)
Net Cash Provided by (Used in) Capital and			
Related Financing Activities	-	(15,512)	(15,512)
Increase (Decrease) in Cash	996	-	996
Cash and Cash Equivalents, July 1	6,016	-	6,016
Cash and Cash Equivalents, June 30	$ 7,012	$ -	$ 7,012

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State of Connecticut

Fiduciary Funds

Trust and Agency Funds are maintained to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations or other funds. These Fiduciary Funds include expendable trust, nonexpendable trust, pension trust, investment trust, and agency funds. Significant Trust and Agency Funds of the State are described as follows:

Trust Funds

Employment Security:
to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Second Injury and Compensation Assurance:
an extension of the Worker's Compensation Act, the fund is currently used to pay claimants whose injuries are made more severe because of a pre-existing condition, and in cases where an injured worker receiving worker's compensation sub-sequently undergoes an incapacitating relapse.

Soldiers', Sailors', and Marines':
to account for the principal and interest earned on investments of this fund. Interest earned has been earmarked by the General Assembly for the benefit of resident veterans to provide such things as food, wearing apparel, medical or surgical aid, care and relief or funeral benefits.

Pension:
See notes 9 and 10 for a description of the Pension Funds.

External Investment Pool:
to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

Agency Funds

Insurance Companies Securities:
to account for securities that are deposited with the Treasurer to be held for policyholders of insurance companies as a prerequisite to such companies transacting business in the State.

Deferred Compensation:
to account for the investments accumulated in the State's IRC Section 457 deferred compensation plan.

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State of Connecticut

Combining Balance Sheet
Fiduciary Funds

June 30, 1998
(Expressed in Thousands)

	Expendable Trust				
	Employment Security	Special Assessment	Retired Teachers' Health Benefits Plan	Second Injury & Compensation Assurance	Other
Assets:					
Cash and Cash Equivalents	$ -	$ 1,002	$ 7,347	$ 39,315	$ 1,681
Investments:					
Equity in Combined Investment Fund	-	-	-	-	-
External Investment Pool		-	-	-	-
Other	-	136,395	-	24,050	1,762
Securities Lending Collateral	-	-	-	-	-
Receivables:					
Accounts, Net of Allowances	11,986	1,781	-	617	-
Loans Receivable	-	-	-	-	-
Interest.	-	5	-	15	-
Federal Grants Receivable	-	-	-	-	-
Deposits with U.S. Treasury	740,135	-	-	-	-
Due From Other Funds	493	-	2,066	-	-
Receivable From Other Governments	2,002	-	-	-	-
Inventories and Prepaid Items	-	-	4,022	160	-
Restricted Assets	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Assets	**$ 754,616**	**$ 139,183**	**$ 13,435**	**$ 64,157**	**$ 3,443**
Liabilities and Equity:					
Liabilities:					
Accounts Payable and Accrued Liabilities	$ 300	$ -	$ -	$ 19,739	$ -
Due to Other Funds.	7,800	-	-	-	-
Payable to Other Governments	162	-	-	-	-
Deferred Revenue.	7,189	1,421	-	-	-
Deferred Compensation Liability	-	-	-	-	-
Agency Deposit Liabilities	-	-	-	-	-
Revenue Bonds	-	-	-	-	-
Securities Lending Obligation.	-	-	-	-	-
Total Liabilities	**15,451**	**1,421**	**-**	**19,739**	**-**
Fund Balances:					
Reserved Trust Activities	-	-	-	-	-
Reserved For Employees' Pension Benefits	-	-	-	-	-
Reserved For Pool Participants		-	-	-	-
Unreserved, undesignated	739,165	137,762	13,435	44,418	3,443
Total Fund Balances	**739,165**	**137,762**	**13,435**	**44,418**	**3,443**

Total Liabilities and Fund Balances	**$ 754,616**	**$ 139,183**		**$ 13,435**	**$ 64,157**	**$ 3,443**	

	Nonexpendable Trust						
	Clean Water Fund	**Soldiers, Sailors, & Marines**	**Other**	**Pension**	**External Investment Pool**	**Agency**	**Total**
Assets:							
Cash and Cash Equivalents	$ 3,666	$ -	$ 4,007	$ 18,324	$ -	$ 144,542	$ 219,884
Investments:							
Equity in Combined Investment Fund	-	58,528	22,118	18,292,981	-	-	18,373,627
External Investment Pool	-	-	-	-	959,872		959,872
Other	-	-	2,760	-	-	624,370	789,337
Securities Lending Collateral	-	5,118	1,702	1,682,548	-	-	1,689,368
Receivables:					-		
Accounts, Net of Allowances	-	-	-	14,042	-	1,277	29,703
Loans Receivable	437,586	-	-	-	-	56	437,642
Interest.	9,249	4	9	2,020	4,109	85	15,496
Federal Grants Receivable	16	-	-	-	-	-	16
Deposits with U.S. Treasury	-	-	-	-	-	-	740,135
Due From Other Funds	-	-	3	6,177	-	3,252	11,991
Receivable From Other Governments	-	-	-	7,135	-	20	9,157
Inventories and Prepaid Items	-	-	-	-	-	27	4,209
Restricted Assets	375,473	-	-	-	-	-	375,473
Other Assets	3,622	-	-	-	-	517,392	521,014
Total Assets	**$ 829,612**	**$ 63,650**	**$ 30,599**	**$ 20,023,227**	**$ 963,981**	**$ 1,291,021**	**$ 24,176,924**
Liabilities and Equity:							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 7,879	$ -	$ -	$ 7	$ 4,817	$ 6,730	$ 39,472
Due to Other Funds.	-	747	151	2,703	-	8,111	19,512
Payable to Other Governments	-	-	-	-	-	-	162
Deferred Revenue.	-	-	-	-	-	-	8,610
Deferred Compensation Liability	-	-	-	-	-	622,199	622,199
Agency Deposit Liabilities	-	-	-	-	-	653,981	653,981
Revenue Bonds	469,244	-	-	-	-	-	469,244
Securities Lending Obligation	-	5,118	1,702	1,682,548	-	-	1,689,368
Total Liabilities	477,123	5,865	1,853	1,685,258	4,817	1,291,021	3,502,548
Fund Balances:							
Reserved Trust Activities	285,628	57,785	28,746	-	-	-	372,159
Reserved For Employees' Pension Benefits	-	-	-	18,337,969	-	-	18,337,969
Reserved For Pool Participants	-	-	-	-	959,164	-	959,164
Unreserved, undesignated	66,861	-	-	-	-	-	1,005,084
Total Fund Balances	352,489	57,785	28,746	18,337,969	959,164	-	20,674,376
Total Liabilities and Fund Balances	**$ 829,612**	**$ 63,650**	**$ 30,599**	**$ 20,023,227**	**$ 963,981**	**$ 1,291,021**	**$ 24,176,924**

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State of Connecticut

Combining Statement of Plan Net Assets
Pension Trust Funds (Defined Benefit Pension Plans)

June 30, 1998
(Expressed in Thousands)

	State Employees	State Teachers	Judicial	Connecticut Municipal Employees	Probate Judges	Other	Total
Assets:							
Cash and Cash Equivalents	$ 250	$ 17,779	$ -	$ 224	$ -	$ 71	$ 18,324
Receivables:							
Accounts, Net of Allowances	2,192	7,984	3	3,862	1	-	14,042
Interest	836	933	34	210	6	1	2,020
Total Receivables	3,028	8,917	37	4,072	7	1	16,062
Investments:							
Equity in Combined Investment Fund	7,022,891	9,971,659	115,105	1,122,123	60,435	768	18,292,981
Total Investments	7,022,891	9,971,659	115,105	1,122,123	60,435	768	18,292,981
Securities Lending Collateral	646,014	920,363	9,905	100,480	5,786	-	1,682,548
Due From Other Funds	6,177	-	-	-	-	-	6,177
Receivable From Other Governments	-	7,135	-	-	-	-	7,135
Total Assets	**$ 7,678,360**	**$ 10,925,853**	**$ 125,047**	**$ 1,226,899**	**$ 66,228**	**$ 840**	**$ 20,023,227**
Liabilities and Equity:							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 7	$ -	$ -	$ -	$ -	$ -	$ 7
Due to Other Funds	-	2,066	630	-	7	-	2,703
Securities Lending Obligation	646,014	920,363	9,905	100,480	5,786	-	1,682,548
Total Liabilities	**646,021**	**922,429**	**10,535**	**100,480**	**5,793**	**-**	**1,685,258**
Fund Balance:							
Reserved For Employees' Pension Benefits	7,032,339	10,003,424	114,512	1,126,419	60,435	840	18,337,969
Total Fund Balance	7,032,339	10,003,424	114,512	1,126,419	60,435	840	18,337,969
Total Liabilities and Fund Balances	**$ 7,678,360**	**$ 10,925,853**	**$ 125,047**	**$ 1,226,899**	**$ 66,228**	**$ 840**	**$ 20,023,227**

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State of Connecticut

Combining Balance Sheet
Agency Funds

June 30, 1998
(Expressed in Thousands)

	Payroll & Fringe Benefit Clearing	Receipts Pending Distribution	Insurance Companies' Securities	State Institution Activity	Deferred Compensation	Other	Total
Assets:							
Cash and Cash Equivalents	$ 1,141	$ 22,955	$ -	$ 10,559	$ -	$ 109,887	$ 144,542
Investments:							
Other	-	-	-	-	622,199	2,171	624,370
Receivables:							
Accounts, Net of Allowances	-	752	-	525	-	-	1,277
Loans Receivable	-	-	-	56	-	-	56
Interest.	-	-	-	5	-	80	85
Due From Other Funds	3,252	-	-	-	-	-	3,252
Receivable From Other Governments	-	20	-	-	-	-	20
Inventories and Prepaid Items	-	-	-	27	-	-	27
Other Assets	-	-	515,566	1,826	-	-	517,392
Total Assets	**$ 4,393**	**$ 23,727**	**$ 515,566**	**$ 12,998**	**$ 622,199**	**$ 112,138**	**$ 1,291,021**
Liabilities:							
Accounts Payable and Accrued Liabilities	$ -	$ 3,344	$ -	$ 1,441	$ -	$ 1,945	$ 6,730
Due to Other Funds	-	8,111	-	-	-	-	8,111
Deferred Compensation Liability	-	-	-	-	622,199	-	622,199
Agency Deposit Liabilities	4,393	12,272	515,566	11,557	-	110,193	653,981
Total Liabilities	**$ 4,393**	**$ 23,727**	**$ 515,566**	**$ 12,998**	**$ 622,199**	**$ 112,138**	**$ 1,291,021**

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State of Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Expendable Trust Funds

For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Employment Security	Special Assessment	Retired Teachers' Health Benefits Plan	Second Injury & Compensation Assurance	Other	Total
Revenues:						
Unemployment Taxes	$ 618,778	$ -	$ -	$ -	$ -	$ 618,778
Health Insurance Contributions	-	-	27,308	-	-	27,308
Investment Earnings	39,069	9,088	530	5,279	1,003	54,969
Assessments	-	134,704	-	117,658	-	252,362
Miscellaneous	-	-	-	892	11	903
Total Revenues	**657,847**	**143,792**	**27,838**	**123,829**	**1,014**	**954,320**
Expenditures:						
Current:						
General Government	-	-	-	9,481	-	9,481
Regulation and Protection	361,271	-	-	175,192	895	537,358
Health Insurance Payments	-	-	31,605	-	-	31,605
Debt Service:						
Principal Retirement	-	124,750	-	33,940	-	158,690
Interest and Fiscal Charges	-	35,884	-	8,334	-	44,218
Total Expenditures	361,271	160,634	31,605	226,947	895	781,352
Excess (Deficiency) of Revenues Over Expenditures	296,576	(16,842)	(3,767)	(103,118)	119	172,968
Other Financing Sources (Uses):						
Proceeds of General Obligation Bonds	-	-	-	80,000	-	80,000
Operating Transfers In	-	17,200	-	-	-	17,200
Operating Transfers Out	(20,521)	(1,232)	-	-	(4)	(21,757)
Total Other Financing Sources (Uses)	(20,521)	15,968	-	80,000	(4)	75,443
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	276,055	(874)	(3,767)	(23,118)	115	248,411
Fund Balances (deficit) - July 1 (as restated)	463,110	138,636	17,202	67,536	3,328	689,812
Fund Balances (deficit) - June 30	**$ 739,165**	**$ 137,762**	**$ 13,435**	**$ 44,418**	**$ 3,443**	**$ 938,223**

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State of Connecticut

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonexpendable Trust Funds

For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Clean Water Fund	Soldiers Sailors & Marines	Other	Total Nonexpendable
Operating Revenues:				
Investment Earnings	23,272	6,413	4,144	33,829
Interest on Financing Activities.	9,221	-	-	9,221
Intergovernmental	14,594	-	-	14,594
Miscellaneous	301	-	21	322
Total Operating Revenues	47,388	6,413	4,165	57,966
Operating Expenses:				
Administrative	398	-	33	431
Other Program Expenses	-	-	809	809
Interest on Financing Activities	25,348	-	-	25,348
Total Operating Expenses	25,746	-	842	26,588
Operating Income (Loss)	21,642	6,413	3,323	31,378
Operating Transfers:				
Operating Transfers In	28,253	-	-	28,253
Operating Transfers Out	-	(3,025)	(322)	(3,347)
Net Income (Loss)	49,895	3,388	3,001	56,284
Fund Balances - July 1(as restated)	302,594	54,397	25,745	382,736
Fund Balances - June 30	**$ 352,489**	**$ 57,785**	**$ 28,746**	**$ 439,020**

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State of Connecticut

Combining Statement of Cash Flows
Nonexpendable Trust Funds

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Clean Water Fund	Soldiers, Sailors, & Marines	Other	Total
Cash Flows From Operating Activites:				
Operating Income (Loss)	$ 21,642	$ 6,413	$ 3,323	$ 31,378
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:				
Investment Income	(23,272)	(6,413)	(4,144)	(33,829)
Interest Expense	25,348	-	-	25,348
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	(1,442)	-	18	(1,424)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	-	-	2	2
Miscellaneous Operating Activities	123	-	-	123
Issuance of Loans	(54,666)	-	-	(54,666)
Net Cash Provided by (Used in) Operating Activities	(32,267)	-	(801)	(33,068)
Cash Flows From Noncapital Financing Activities:				
Proceeds From Sale of Bonds	110,901	-	-	110,901
Retirement of Bonds	(18,725)	-	-	(18,725)
Interest on Bonds	(23,503)	-	-	(23,503)
Transfer From Other Funds	28,253	-	-	28,253
Transfer To Other Funds	-	(3,025)	(322)	(3,347)
Net Cash Provided by (Used in) Noncapital Financing Activities	96,926	(3,025)	(322)	93,579
Cash Flows From Investing Activities:				
Purchase of Investment Securities	(103,346)	-	-	(103,346)
Interest and Income on Investments	20,678	3,025	1,553	25,256
Net Cash Provided by (Used in) Investment Activities	(82,668)	3,025	1,553	(78,090)
Increase (Decrease) in Cash	(18,009)	-	430	(17,579)
Cash and Cash Equivalents, July 1	21,675	-	3,577	25,252
Cash and Cash Equivalents, June 30	**$ 3,666**	**$ -**	**$ 4,007**	**$ 7,673**

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State of Connecticut

Combining Statement of Changes in Assets & Liabilities
All Agency Funds

For the Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
Payroll and Fringe Benefit Clearing				
ASSETS				
Cash and Cash Equivalents	$ 1,047	$ 94	$ -	$ 1,141
Due From Other Funds	2,496	3,252	2,496	3,252
Total Assets	$ 3,543	$ 3,346	$ 2,496	$ 4,393
LIABILITIES				
Agency Deposit Liability	$ 3,543	$ 3,346	$ 2,496	$ 4,393
Total Liabilities	$ 3,543	$ 3,346	$ 2,496	$ 4,393
Receipts Pending Distribution				
ASSETS				
Cash and Cash Equivalents	$ 21,498	$ 1,457	$ -	$ 22,955
Accounts, Net of Allowances	526	752	526	752
Receivable From Other Governments	22	20	22	20
Total Assets	$ 22,046	$ 2,229	$ 548	$ 23,727
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 3,762	$ -	$ 418	$ 3,344
Due to Other Funds	6,684	1,427	-	8,111
Agency Deposit Liability.	11,600	1,541	869	12,272
Total Liabilities	$ 22,046	$ 2,968	$ 1,287	$ 23,727
Insurance Companies' Securities				
ASSETS				
Other Assets	$ 558,556	$ -	$ 42,990	$ 515,566
Total Assets	$ 558,556	$ -	$ 42,990	$ 515,566
LIABILITIES				
Agency Deposit Liability	$ 558,556	$ -	$ 42,990	$ 515,566
Total Liabilities	$ 558,556	$ -	$ 42,990	$ 515,566

	Balance July 1, 1997	Additions	Deletions	Balance June 30, 1998
State Institution Activity				
ASSETS				
Cash and Cash Equivalents	$ 10,638	$ 1,296	$ 1,375	$ 10,559
Accounts, Net of Allowances	536	-	11	525
Loans, Net of Allowances	71	-	15	56
Interest	3	5	3	5
Inventories and Prepaid Items	29	1	3	27

Other Assets	1,670	156	-	1,826
Total Assets	$ 12,947	$ 1,458	$ 1,407	$ 12,998
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 1,322	$ 138	$ 19	$ 1,441
Agency Deposit Liability	11,625	1,301	1,369	11,557
Total Liabilities	$ 12,947	$ 1,439	$ 1,388	$ 12,998
Deferred Compensation				
ASSETS				
Investments	$ 512,227	$ 109,972	$ -	$ 622,199
Total Assets	$ 512,227	$ 109,972	$ -	$ 622,199
LIABILITIES				
Deferred Compensation Liability.	$ 512,227	$ 109,972	$ -	$ 622,199
Total Liabilities	$ 512,227	$ 109,972	$ -	$ 622,199
Other				
ASSETS				
Cash and Cash Equivalents	$ 70,057	$ 44,290	$ 4,460	$ 109,887
Accounts, Net of Allowances	12	-	12	-
Investments	1,376	2,171	1,376	2,171
Interest	62	80	62	80
Due From Other Funds	2,447	-	2,447	-
Total Assets	$ 73,954	$ 46,541	$ 8,357	$ 112,138
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 187	$ 1,758	$ -	$ 1,945
Agency Deposit Liability.	73,767	48,230	11,804	110,193
Total Liabilities	$ 73,954	$ 49,988	$ 11,804	$ 112,138

	Balance July 1, 1997	**Additions**	**Deletions**	**Balance June 30, 1998**
Totals - All Agency Funds				
ASSETS				
Cash and Cash Equivalents	$ 103,240	$ 47,137	$ 5,835	$ 144,542
Investments	513,603	112,143	1,376	624,370
Accounts, Net of Allowances .	1,074	752	549	1,277
Loans, Net of Allowances	71	-	15	56
Interest.	65	85	65	85
Due From Other Funds	4,943	3,252	4,943	3,252
Receivable From Other Governments	22	20	22	20
Inventories and Prepaid Items	29	1	3	27
Other Assets	560,226	156	42,990	517,392
Total Assets	**$ 1,183,273**	**$ 163,546**	**$ 55,798**	**$ 1,291,021**
LIABILITIES				
Accounts Payable and Accrued Liabilities	$ 5,271	$ 1,896	$ 437	$ 6,730
Due To Other Funds	6,684	1,427	-	8,111
Deferred Compensation Liability	512,227	109,972	-	622,199
Agency Deposit Liability	659,091	54,418	59,528	653,981
Total Liabilities	**$ 1,183,273**	**$ 167,713**	**$ 59,965**	**$ 1,291,021**

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State of Connecticut

General Fixed Assets Account Group

The General Fixed Assets Account Group is maintained to account for land, buildings, improvements, and equipment which are accounted for in the governmental type funds. Fixed Assets of the proprietary fund types and similar trusts and the Higher Education Funds are accounted for within those funds. Infrastructures, including highways, bridges, and rights-of-way are not capitalized.

The General Fixed Assets Account Group is stated at historical cost or estimated historical cost, with no provision made for depreciation.

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State of Connecticut

General Fixed Assets Account Group

June 30, 1998
(Expressed in Thousands)

SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE

General Fixed Assets:	
Land	$ 335,777
Buildings	1,958,760
Improvements Other Than Buildings	231,792
Machinery and Equipment	1,145,458
Construction in Progress	322,134
Total General Fixed Assets	**$ 3,993,921**
Investment in General Fixed Assets:	
Investment in Property Acquired Prior to June 30, 1988-Source Unidentified	$ 1,064,860
General Fund	183,412
Special Revenue Funds	389,068
Capital Project Funds	2,326,892
Other	29,689
Total Investment in General Fixed Assets	**$ 3,993,921**

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State of Connecticut

General Fixed Assets Account Group

June 30, 1998
(Expressed in Thousands)

SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION

Function	Land	Buildings	Improvements	Equipment	Totals
Legislative	$ -	$ 154,364	$ -	$ 12,203	$ 166,567
General Government	19,845	204,175	4,121	60,215	288,356
Regulation and Protection.	9,656	145,791	9,050	126,619	291,116
Conservation and Development	208,436	26,535	19,526	31,172	285,669
Health and Hospitals	7,409	146,600	24,864	26,431	205,304
Transportation	67,377	281,610	120,494	472,828	942,309
Human Services	-	-	-	7,524	7,524
Education, Libraries and Museums	1,152	162,908	8,034	302,898	474,992
Corrections	10,842	689,615	44,360	52,000	796,817
Judicial.	11,060	147,162	1,343	53,568	213,133
Total General Fixed Assets Allocated to Functions	**$ 335,777**	**$ 1,958,760**	**$ 231,792**	**$ 1,145,458**	**$ 3,671,787**
Construction in Progress					**322,134**
Total General Fixed Assets					**$ 3,993,921**

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State of Connecticut

General Fixed Assets Account Group

June 30, 1998
(Expressed in Thousands)

SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION

Function	General Fixed Assets 7/1/97	Additions	Deletions	General Fixed Assets 6/30/98
Legislative	$ 169,084	$ 1,327	$ 3,844	$ 166,567
General Government	261,711	31,168	4,523	288,356
Regulation and Protection	261,093	35,783	5,760	291,116
Conservation and Developmen	278,622	11,400	4,353	285,669
Health and Hospitals	221,175	19,440	35,311	205,304
Transportation	920,679	35,010	13,380	942,309
Human Services	7,160	2,551	2,187	7,524
Education, Libraries and Museums	498,801	26,190	49,999	474,992
Corrections	818,216	21,269	42,668	796,817
Judicial	172,223	42,282	1,372	213,133
Construction in Progress	211,616	161,729	51,211	322,134
Total General Fixed Assets	**$ 3,820,380**	**$ 388,149**	**$ 214,608**	**$ 3,993,921**

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State of Connecticut

Higher Education Funds

Higher Education Funds are used to account for all transactions relating to public institutions of higher education and an affiliated organization. Higher Education institutions include five universities and twelve community-technical colleges. The following university and college funds and affiliated organization are used:

Current Unrestricted Fund:
accounts for currently expendable resources which may be either designated or not designated by the colleges and universities for specific purposes.

Current Restricted Fund:
accounts for resources restricted by the donor or external agency for a specific use or program.

Loan Funds:
accounts for loans made to assist students in the financing of their education.

Endowment Funds:
accounts for resources which are restricted by the gift instruments requiring that the principal be invested and only the income be expended.

Agency Funds:
accounts for amounts held in custody for students, university-related organizations, and others.

Plant Funds:
accounts for activities relating to institutional properties. These activities include funds used for the acquisition, renewal, and replacement of institutional properties, funds set aside for debt service requirements of institutional properties, and funds invested in institutional properties.

Affiliated Organization:
accounts for the financial activities of the University of Connecticut Foundation, Inc., a component unit of the University of Connecticut.

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State of Connecticut

Combining Balance Sheet
Higher Education Funds

June 30, 1998
(Expressed in Thousands)

	Current Funds							
	Unrestricted	Restricted	Endowment and Similar Funds	Loan Funds	Agency Funds	Plant Funds	Affiliated Organization	Total
Assets:								
Cash and Cash Equivalents	$ 170,464	$ 17,784	$ 2,654	$ 2,039	$ 5,668	$ 183,168	$ 12	$ 381,789
Investments:								
Equity in Combined Investment Funds	-	-	541	-	-	-	-	541
Other	4,718	-	4,549	-	-	2,119	136,450	147,836
Receivables:								
Accounts, Net of Allowances	32,215	23,456	41	-	495	140	13,581	69,928
Tuition	10,822	-	-	-	-	-	-	10,822
Loans, Net of Allowances	-	-	-	29,298	-	-	-	29,298
Interest	-	-	-	191	1	-	-	192
Due From Other Funds	53,427	1	-	-	1,779	3,189	-	58,396
Due From Component Units	-	-	-	-	-	59,961	-	59,961
Inventories and Prepaid Items	7,598	-	-	-	-	2,048	-	9,646
Property, Plant & Equipment	-	-	-	-	227	1,757,459	715	1,758,401
Other Assets	2,621	326	-	1	371	1,094	3,057	7,470
Total Assets	**$ 281,865**	**$ 41,567**	**$ 7,785**	**$ 31,529**	**$ 8,541**	**$ 2,009,178**	**$ 153,815**	**$ 2,534,280**
Liabilities and Equity:								
Liabilities:								
Accounts Payable and Accrued Liabilities	$ 84,296	$ 5,999	$ -	$ 28	$ 2,467	$ 32,339	$ 4,950	$ 130,079
Due to Other Funds	5,414	1,632	-	469	17	302	-	7,834
Due to Component Units	-	-	-	-	-	77,520	-	77,520
Deferred Revenue	39,521	612	-	-	-	-	-	40,133
Notes and Loans Payable	-	-	-	-	-	4,565	-	4,565
Agency Deposit Liabilities	-	-	-	-	6,057	-	-	6,057
Revenue Bonds	-	-	-	-	-	128,724	-	128,724
Compensated Absences	75,480	-	-	-	-	-	-	75,480
Total Liabilities	204,711	8,243	-	497	8,541	243,450	4,950	470,392
Equity:								
Investment in Fixed Assets	-	-	-	-	-	1,617,930	-	1,617,930
Fund Balances:								
Reserved:								
Retirement of Debt	-	-	-	-	-	61,143	-	61,143
Other	-	33,324	7,785	31,032	-	-	143,467	215,608
Unreserved, undesignated:								
Unexpended Plant	-	-	-	-	-	86,655	-	86,655
Other	77,154	-	-	-	-	-	5,398	82,552
Total Equity	77,154	33,324	7,785	31,032	-	1,765,728	148,865	2,063,888
Total Liabilities and Equity	**$ 281,865**	**$ 41,567**	**$ 7,785**	**$ 31,529**	**$ 8,541**	**$ 2,009,178**	**$ 153,815**	**$ 2,534,280**

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State of Connecticut

Component Units

The Component Units are organizations which are legally separate from the State of Connecticut for which the State is financially accountable. The Component Units of the State of Connecticut are described as follows:

Connecticut Development Authority:
the Connecticut Development Authority is a public instrumentality and political subdivision of the State. The Authority was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond Program, its Umbrella Program and its Insurance Program.

Connecticut Housing Finance Authority:
the Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development and construction of housing for low and moderate income families throughout the State.

Connecticut Resources Recovery Authority:
the Connecticut Resources Recovery Authority is a public instrumentality and political subdivision of the State. The Authority is responsible for imple-menting the State's solid waste management plan, which includes design, construction and operation of resources recovery facilities and the marketing of recovered products.

Connecticut Higher Education Supplemental Loan Authority:
the Connecticut Higher Education Supplementary Loan Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist students, their parents and institutions of higher education to finance the cost of higher education through its bond funds.

Connecticut Health and Educational Facilities Authority:
the Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Innovations, Incorporated:
Connecticut Innovations is a public instrumentality and political subdivision of the State. It was established to stimulate and promote technological innovation and application of technology within Connecticut by providing financial technical assistance.

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State of Connecticut

Combining Balance Sheet
Component Units

June 30, 1998
(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-97)	Connecticut Resources Recovery Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Innovations, Incorporated	Total
Assets:							
Cash and Cash Equivalents	$ 64,436	$ 100,747	$ 46,229	$ 4,695	$ 3,025	$ 47,711	$ 266,843
Investments:							
Other	29,658	410,593	-	3,285	9,847	33,262	486,645
Receivables:							
Accounts, Net of Allowances	-	-	10,973	-	110	7	11,090
Loans Receivable	170,329	2,702,502	831	69,432	-	-	2,943,094
Interest	1,254	26,785	18,185	607	116	-	46,947
Notes Receivable	-	-	-	-	590	-	590
Due From Primary Government	13,437	-	-	-	77,520	674	91,631
Inventories and Prepaid Items	1,605	-	-	-	39	19	1,663
Restricted Assets	-	321,893	78,256	12,830	3,421,957	-	3,834,936
Property, Plant & Equipment	18,615	2,905	228,428	-	189	176	250,313
Other Assets	5,834	61,504	14,988	1,182	-	-	83,508
Total Assets	**$ 305,168**	**$ 3,626,929**	**$ 397,890**	**$ 92,031**	**$ 3,513,393**	**$ 81,849**	**$ 8,017,260**
Liabilities and Equity:							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 8,403	$ 35,106	$ 27,856	$ 972	$ 66,468	$ 702	$ 139,507
Notes and Loans Payable	3,000	-	-	-	-	-	3,000
Due To Primary Government	-	-	-	-	59,961	-	59,961
Deferred Revenue	5,905	-	-	2,450	-	27	8,382
Escrow Deposits	4	92,133	-	-	-	-	92,137
Revenue Bonds	124,815	3,096,525	301,469	87,980	2,828,290	-	6,439,079
Liability for Landfill Closure Costs	-	-	22,513	-	-	-	22,513
Amount Held for Institutions	-	-	-	-	544,942	-	544,942
Total Liabilities	**142,127**	**3,223,764**	**351,838**	**91,402**	**3,499,661**	**729**	**7,309,521**
Equity:							
Contributed Capital	162,340	-	1,961	-	-	77,776	242,077
Retained Earnings:							
Reserved for Housing Financing	-	389,599	-	-	-	-	389,599
Reserved for Resources Recovery	-	-	17,467	-	-	-	17,467
Unreserved	701	13,566	26,624	629	13,732	3,344	58,596
Total Retained Earnings	701	403,165	44,091	629	13,732	3,344	465,662
Total Equity	163,041	403,165	46,052	629	13,732	81,120	707,739
Total Liabilities and Equity	**$ 305,168**	**$ 3,626,929**	**$ 397,890**	**$ 92,031**	**$ 3,513,393**	**$ 81,849**	**$ 8,017,260**

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State of Connecticut

Combining Statement of Revenues, Expenses and Changes in Retained Earnings Component Units

For The Fiscal Year Ended June 30, 1998
(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-97)	Connecticut Resources Recovery Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Innovations, Incorporated	Total
Operating Revenues:							
Charges for Services	$ 2,227	$ -	$ 140,321	$ -	$ -	$ -	$ 142,548
Interest on Financing Activities	10,822	193,717	-	6,175	143,028	977	354,719
Civic Center Lease Operations	11,445	-	-	-	-	-	11,445
Miscellaneous	1,884	13,430	7,538	663	2,980	347	26,842
Total Operating Revenues	26,378	207,147	147,859	6,838	146,008	1,324	535,554
Operating Expenses:							
Administrative	4,040	19,898	5,015	1,197	1,213	2,622	33,985
Depreciation and Amoritization	293	4,127	17,078	164	54	153	21,869
Interest on Financing Activities	6,740	187,070	-	5,670	143,028	-	342,508
Civic Center Lease Operations	15,364	-	-	-	-	-	15,364
Solid Waste Operations	-	-	96,334	-	-	-	96,334
Other Program Expenses	1,047	5,739	5,979	843	1,224	225	15,057
Total Operating Expenses	27,484	216,834	124,406	7,874	145,519	3,000	525,117
Operating Income (Loss)	(1,106)	(9,687)	23,453	(1,036)	489	(1,676)	10,437
Nonoperating Revenues (Expenses):							
Interest and Investment Income	6,914	42,609	6,678	1,510	774	15,710	74,195
Interest and Fiscal Charges	-	-	(19,606)	-	-	-	(19,606)
Other	-	690	(1,145)	-	-	-	(455)
Total Nonoperating Income (Expense)	6,914	43,299	(14,073)	1,510	774	15,710	54,134
Net Income (Loss)	5,808	33,612	9,380	474	1,263	14,034	64,571
Add Items Affecting Contributed Capital:							
Depreciation on Equipment Acquired through Capital Grants.	-	-	147	-	-	-	147
Total Add Back Items	-	-	147	-	-	-	147
Retained Earnings-July 1	(5,107)	369,553	34,564	155	12,469	(10,690)	400,944
Retained Earnings-June 30	**$ 701**	**$ 403,165**	**$ 44,091**	**$ 629**	**$ 13,732**	**$ 3,344**	**$ 465,662**

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State of Connecticut

Combining Statement of Cash Flows
Component Units

June 30, 1998
(Expressed in Thousands)

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-97)	Connecticut Resources Recovery Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Connecticut Innovations, Incorporated	Total
Cash Flows From Operating Activities:							
Operating Income (Loss)	$ (1,106)	$ (9,687)	$ 23,453	$ (1,036)	$ 489	$ (1,676)	$ 10,437
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Amortization and Depreciation	1,440	4,127	17,078	164	54	153	23,016
Provision for Loan Losses	500	2,254	-	-	555	-	3,309
Interest Expense	7,991	187,070	-	5,670	-	-	200,731
Changes in Assets and Liabilities:							
(Increase) Decrease in Receivables	1,234	1,298	601	15	(443)	132	2,837
(Increase) Decrease in Due From Other Funds	(1,309)	-	-	-	-	(2)	(1,311)
(Increase) Decrease in Inventories and Prepaid Expenses	-	-	(2,365)	-	27	(14)	(2,352)
Increase (Decrease) in Accounts Payable & Accrued Liabilities	(3,233)	(2,714)	5,090	263	(297)	163	(728)
Miscellaneous Operating Activities	3,599	633	(432)	-	-	103	3,903
Issuance of Loans, Notes & Installment Contracts Receivable	(32,635)	(429,455)	-	(13,456)	(491,935)	-	(967,481)
Collection of Loans, Notes & Installment Contracts Receivable	19,086	190,574	-	7,121	58,972	-	275,753
Net Cash Provided by (Used in) Operating Activities	(4,433)	(55,900)	43,425	(1,259)	(432,578)	(1,141)	(451,886)
Cash Flows From Noncapital Financing Activities:							
Contributed Capital.	-	-	-	-	-	1,825	1,825
Proceeds From Sale of Bonds and Notes	3,000	405,085	-	-	-	-	408,085
Retirement of Bonds and Notes Payable	(8,760)	(201,475)	-	(5,995)	-	-	(216,230)
Interest on Bonds and Notes Payable	(8,052)	(185,773)	(158)	(5,716)	-	-	(199,699)
Bond Issuance and/or Redemption Costs	-	(5,655)	-	-	-	-	(5,655)
Miscellaneous Noncapital Financing Activities-Deletions	(610)	(12,168)	-	-	-	-	(12,778)
Net Cash Provided by (Used in) Noncapital Financing Activities	(14,422)	14	(158)	(11,711)	-	1,825	(24,452)
Cash Flows From Capital And Related Financing Activities:							
Purchase of Fixed Assets	(2,297)	(468)	(12,931)	-	(34)	(66)	(15,796)
Proceeds From Sale of Bonds and Notes	-	-	8,000	-	690,520	-	698,520
Retirement of Bonds and Notes Payable	-	-	(41,173)	-	(84,255)	-	(125,428)
Interest on Bonds and Notes Payable	-	-	(18,968)	-	(139,719)	-	(158,687)
Miscellaneous Capital and Related Financing Activities-Additions	1	-	27	-	141,816	-	141,844
Miscellaneous Capital and Related Financing Activities-Deletions	-	-	(1,776)	-	(135,038)	-	(136,814)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(2,296)	(468)	(66,821)	-	473,290	(66)	403,639
Cash Flows From Investing Activities:							
Proceeds From Sales of Investment Securities	4,213	222,750	23,650	12,439	680,733	13,121	956,906
Purchase of Investment Securities	(2,823)	(201,635)	(12,327)	(168)	(779,562)	(8,111)	(1,004,626)
Interest and Income on Investments	4,866	42,378	6,822	1,541	47,916	2,232	105,755
Reduction in Loan Receivable	-	-	5,604	-	-	-	5,604
Net Cash Provided by (Used in) Investing Activities	6,256	63,493	23,749	13,812	(50,913)	7,242	63,639
Increase (Decrease) in Cash	(14,895)	7,139	195	842	(10,201)	7,860	(9,060)
Cash and Cash Equivalents, July 1	79,331	93,608	115,763	3,853	133,763	39,851	466,169
Cash and Cash Equivalents, June 30	**$ 64,436**	**$ 100,747**	**$ 115,958**	**$ 4,695**	**$ 123,562**	**$ 47,711**	**$ 457,109**

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State of Connecticut

General Governmental Expenditures By Function

Last Ten Fiscal Years

SOURCE (1)	1989	1990	1991	1992	1993
1. Legislative	$ 38,453	$ 40,748	$ 41,798	$ 38,057	$ 44,040
2. General Government	1,056,167	1,143,948	1,020,494	996,980	1,055,645
3. Regulation and Protection	312,359	313,466	322,473	316,333	348,787
4. Conservation and Development	133,746	163,589	191,727	203,926	232,130
5. Health and Hospitals	802,655	845,026	907,938	862,534	749,402
6. Transportation	421,240	432,350	396,077	337,467	381,135
7. Human Services	1,488,276	1,780,134	2,130,706	2,278,812	2,639,093
8. Education, Libraries, and Museums	2,061,221 (2)	2,220,106 (2)	2,144,504 (2)	2,216,166 (2)	2,113,031 (2)
9. Corrections	358,188	423,239	499,079	509,268	620,821
10. Judicial	160,821	173,594	189,774	213,602	207,803
11. Federal and Other Grants	561,107 (2)	533,033 (2)	538,069 (2)	791,892 (2)	1,068,775
12. Debt Service	384,730	464,586	547,505	776,274	1,033,014
Total Expenditures	**$ 7,778,963**	**$ 8,533,819**	**$8,930,144**	**$ 9,541,311**	**$ 10,493,676**

SOURCE (1)	1994	1995	1996	1997	1998
1. Legislative	$ 45,820	$ 46,618	$ 47,422	$ 51,802	$ 54,898
2. General Government	1,033,897	1,109,507	1,182,673	715,844	783,865
3. Regulation and Protection	395,662	397,131	415,308	414,873	417,537
4. Conservation and Development	227,024	263,748	221,383	264,742	263,327
5. Health and Hospitals	757,731	793,447	826,501	895,809	955,659
6. Transportation	350,413	352,160	358,144	359,716	342,637
7. Human Services	2,916,838	3,395,130	3,450,082	3,512,640	3,553,865
8. Education, Libraries, and Museums	2,258,516 (2)	2,339,278	2,420,982 (2)	2,445,732	2,581,568 (2)
9. Corrections	737,946	800,822	846,305	947,932	935,382
10. Judicial	229,108	241,690	271,571	304,686	320,727
11. Federal and Other Grants	1,008,904	922,518	875,430	679,559	779,670
12. Debt Service	972,368	1,262,425	1,305,017	1,158,034	1,318,265
Total Expenditures	**$ 10,934,227**	**$ 11,924,474**	**$ 12,220,818**	**$11,751,369**	**$ 12,307,400**

(1) Includes General, Special Revenue, and Debt Service Funds.

(2) Includes Higher Education Expenditures Treated as Operating Transfers from the State's General Fund.

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State of Connecticut

Revenues by Source
Last Ten Fiscal Years
(Expressed in Thousands)

SOURCE (1)	1989	1990	1991	1992	1993
1. Taxes	$ 4,565,136	$ 4,961,739	$ 4,639,536	$ 5,596,447	$ 6,140,718
2. Licenses, Permits, and Fees	330,802	380,011	365,780	372,146	398,979
3. Intergovernmental	1,331,263	1,479,412	1,688,731	2,135,220	2,616,995
4. Charges for Services	65,051	59,863	61,153	62,364	88,852
5. Fines, Forfeits, and Rents	25,177	44,178	21,811	27,151	35,843
6. Investment Earnings	44,727	45,579	69,715	65,284	75,141
7. Lottery	697,672	718,473	731,095	709,423	692,528
8. Miscellaneous	115,543	145,004	144,715	172,494	156,391
Total Revenues	**$ 7,175,371**	**$ 7,834,259**	**$7,722,536**	**$ 9,140,529**	**$ 10,205,447**

SOURCE (1)	1994	1995	1996	1997	1998
1. Taxes	$ 6,436,828	$ 6,822,277	$ 7,339,263	$ 7,611,339	$ 8,130,258
2. Licenses, Permits, and Fees	425,480	418,660	429,803	447,333	471,996
3. Intergovernmental	2,641,448	2,734,163	2,830,481	2,782,901	2,853,800
4. Charges for Services	176,757	201,434	211,829	269,349	312,909
5. Fines, Forfeits, and Rents	33,226	37,145	25,359	31,356	35,019
6. Investment Earnings	62,218	74,574	73,235	90,689	106,040
7. Lottery	552,992	670,801	706,860	-	-
8. Miscellaneous	262,590	228,624	192,358	180,458	173,649
Total Revenues	**$ 10,591,539**	**$ 11,187,678**	**$ 11,809,188**	**$11,413,425**	**$ 12,083,671**

(1) Includes General, Special Revenue, and Debt Service Funds.
NOTE: Beginning in 1997, the Lottery revenues are no longer reported under Special Revenue Funds, but are included in the Enterprise Funds.

SOURCE: Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

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State of Connecticut

Computation of Legal Debt Margin

December 1, 1998

(Expressed in Thousands)

Estimated General Fund Tax Receipts for the Fiscal Year Ending June 30, 1998	$ 7,236,500
Factor	1.6
Statutory Debt Limit for Debt Incurred	11,578,400
Less: Authorized Bonds, Notes, and Other Obligations subject to certain limitations.	9,187,969
Legal Debt Margin	**$2,390,431**

SOURCE: State of Connecticut General Obligation Bonds Offering Statement
Dated December 15, 1998.

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State of Connecticut

Net General Long-Term Bonded Debt Per Capita
Last Ten Fiscal Years
(Thousands)

			GENERAL LONG-TERM DEBT		
YEAR	POPULATION	TOTAL DEBT	LESS DEBT SERVICE FUND	NET	NET DEBT PER CAPITA
1989	3,283	$3,232,491	$209,175	$3,023,316	$ 921
1990	3,287	4,249,439	291,621	3,957,818	1,204
1991	3,288	5,650,182	349,206	5,300,976	1,612
1992	3,277	6,503,455	388,425	6,115,030	1,866
1993	3,273	7,385,997	432,522	6,953,475	2,124
1994	3,270	7,927,705	489,584	7,438,121	2,275
1995	3,267	8,516,066	420,163	8,095,903	2,478
1996	3,267	9,200,672	455,740	8,744,932	2,677
1997	3,270	9,548,618	476,731	9,071,887	2,774
1998	3,270 est	9,719,236	498,418	9,220,818	2,820

SOURCES: U.S. Census Bureau
Combined Balance Sheet

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State of Connecticut

Ratio of Annual Debt Service

General Bonded Debt To Total General Expenditures

Last Ten Fiscal Years

(Expressed in Thousands)

YEAR	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE	(1) TOTAL GENERAL EXPENDITURES	RATIO OF DEBT SERVICE TO TOTAL GENERAL EXPENDITURES
1989	$201,203	$183,527	$384,730	$7,778,963	4.9%
1990	230,876	233,710	464,586	8,533,819	5.4%
1991	248,544	298,961	547,505	8,930,144	6.1%
1992	312,571	378,214	690,785	9,541,311	7.2%
1993	362,356	398,550	760,906	10,493,676	7.3%
1994	404,921	387,722	792,643	10,934,227	7.2%
1995	560,746	438,172	998,918	11,924,474	8.4%
1996	523,090	448,880	971,970	12,220,818	8.0%
1997	597,819	470,744	1,068,563	11,751,369	9.1%
1998	731,968	500,529	1,232,497	12,307,400	10.0%

(1) Includes General, Special Revenue, and Debt Service Funds, also included are
Higher Education Expenditures Treated as Operating Transfers from the State's General fund.

Note: Beginning in 1992, principal and interest amounts do not include amounts expended for General Obligation Notes.

SOURCE: Combined Statement of Revenues, Expenditures, and Changes in Fund Balances

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State of Connecticut

Revenue Bond Coverage
Rental Housing
Last Ten Fiscal Years
(Expressed in Thousands)

	GROSS RECEIPTS		NET REVENUE				
	USED	DIRECT	AVAILABLE	DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30,	FOR DEBT SERVICES (1)	OPERATING EXPENSES (2)	FOR DEBT SERVICE	PRINCI-PAL	INTER-EST	TOTAL	COVER-AGE
1989	$13,206	$3,210	$9,996	$1,550	$7,480	$9,030	1.11
1990	16,106	4,205	11,901	1,550	8,694	10,244	1.16
1991	18,113	3,234	14,879	1,550	11,360	12,910	1.15
1992	10,071	1,267	8,804	1,550	8,562	10,112	0.87
1993	17,163	1,585	15,578	1,000	7,805	8,805	1.77
1994	16,102	-	16,102	2,038	12,991	15,029	1.07
1995	14,012	61	13,951	1,052	8,310	9,362	1.49
1996	10,225	1,329	8,896	2,305	7,856	10,161	0.88
1997	7,329	33	7,296	2,175	7,814	9,989	0.73
1998	8,204	512	7,692	5,101	7,566	12,667	0.61

(1) Includes Operating and Non-Operating Revenues and Principal Collections.

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses, and Provision for Loan Losses.

SOURCES: Combining Statement of Revenues, Expenses, and Changes in Retained Earnings
Combining Statement of Cash Flows

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State of Connecticut

Revenue Bond Coverage
Bradley International Airport
Last Ten Fiscal Years
(Expressed in Thousands)

			NET REVENUE				
		DIRECT	AVAILABLE	DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30,	GROSS REVEN-UES(1)	OPERATING EXPENSES (2)	FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1989	$32,049	$14,395	$17,654	$995	$10,093	$11,088	1.59
1990	37,000	15,711	21,289	1,075	10,250	11,325	1.88
1991	33,589	16,312	17,277	1,175	10,305	11,480	1.50
1992	31,307	16,675	14,632	1,285	10,384	11,669	1.25
1993	30,399	17,859	12,540	1,405	8,157	9,562	1.31
1994	34,355	18,966	15,389	2,295	7,275	9,570	1.61
1995	40,217	18,757	21,460	2,455	7,104	9,559	2.25
1996	38,313	20,575	17,738	2,630	6,919	9,549	1.86
1997	38,794	19,746	19,048	2,820	6,718	9,538	2.00
1998	46,432	19,396	27,036	3,030	6,502	9,532	2.84

(1) Includes Operating and Non-Operating Revenues.
(2) Includes Operating Expenses Less Depreciation, & Interest Expenses.
SOURCES: Bradley International Airport Financial Statements

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State of Connecticut

Revenue Bond Coverage

John Dempsey Hospital

Last Two Fiscal Years

(Expressed in Thousands)

	GROSS RECEIPTS						
	USED	DIRECT	AVAILABLE				
FOR THE YEAR	FOR DEBT	OPERATING	FOR DEBT	DEBT SERVICE REQUIREMENTS			
ENDED SEPT 30,	SERVICES(1)	EXPENSES(2)	SERVICE	PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1996	$130,647	$115,675	$14,972	$216	$51	$267	56.07
1997	118,958	112,704	6,254	157	97	254	24.62

(1) Includes Operating and Non-Operating Revenues

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses, and Provision for Loan Losses.

SOURCE: John Dempsey Hospital Financial Statements

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State of Connecticut

Revenue Bond Coverage

Connecticut Development Authority

Last Ten Fiscal Years

(Expressed in Thousands)

	GROSS RECEIPTS		NET REVENUE				
	USED	DIRECT	AVAILABLE	DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30,	FOR DEBT SERVICES (1)	OPERATING EXPENSES (2)	FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1989	341,359	2,494	338,865	192,285	139,536	331,821	1.02
1990	236,158	2,880	233,278	83,363	144,287	227,650	1.02
1991	308,592	8,812	299,780	177,784	122,300	300,084	1.00
1992(3)	32,205	8,068	24,137	7,340	15,651	22,991	1.05
1993	39,344	9,678	29,666	14,300	10,988	25,288	1.17
1994	54,748	16,584	38,164	30,606	6,424	37,030	1.03
1995	55,459	11,365	44,094	41,715	9,221	50,936	0.87
1996	52,459	12,767	39,692	17,665	7,610	25,275	1.57
1997	62,678	14,244	48,434	8,685	7,101	15,786	3.07
1998	52,378	17,553	34,825	8,760	7,991	16,751	2.08

(1) Includes Operating and Non-Operating Revenues and Principal Collected on Loans.

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses and Provision for Loan Losses.

(3) Beginning in 1992, the Authority no longer includes the assets and liabilities of its Self-Sustaining Bond Program in its financial statements. See Note 15b.

SOURCE: Connecticut Development Authority Financial Statements

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State of Connecticut

Revenue Bond Coverage

Connecticut Housing Finance Authority

Last Ten Fiscal Years

(Expressed in Thousands)

	GROSS RECEIPTS		NET REVENUE				
	USED	DIRECT	AVAILABLE	DEBT SERVICE REQUIREMENTS			
FOR THE YEAR	FOR DEBT	OPERATING	FOR DEBT				
ENDED DEC. 31,	SERVICES (1)	EXPENSES (2)	SERVICE	PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1988	367,793	15,444	352,349	140,915	175,957	316,872	1.11
1989	362,041	23,911	338,130	105,335	190,882	296,217	1.14
1990	382,364	40,999	341,365	260,750	202,547	463,297	0.74
1991	385,139	34,819	350,320	103,405	207,415	310,820	1.13
1992	456,281	28,611	427,670	455,505	206,268	661,773	0.65
1993	556,670	42,778	513,892	544,375	192,589	736,964	0.70
1994	483,683	30,910	452,773	622,215	173,843	796,058	0.57
1995	421,706	38,373	383,333	452,210	174,752	626,962	0.61
1996	460,395	33,202	427,193	398,950	179,034	577,984	0.74
1997	441,020	23,383	417,637	201,475	187,070	388,545	1.07

(1) Includes Operating and Non-Operating Revenues and Principal Collected on Loans.

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses, and Provision for Loan Losses.

SOURCE: Connecticut Housing Finance Authority Financial Statements.

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State of Connecticut

Revenue Bond Coverage

Connecticut Resources Recovery Authority

Last Ten Fiscal Years

(Expressed in Thousands)

FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES (1)	DIRECT OPERATING EXPENSES (2)	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENTS PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1989	$97,303	$68,681	$28,622	$3,164	$27,766	$30,930	0.93
1990	133,435	93,086	40,349	6,531	27,700	34,231	1.18
1991	128,491	90,228	38,263	10,989	28,778	39,767	0.96
1992	128,186	92,291	35,895	12,198	27,650	39,848	0.90
1993	132,569	102,081	30,488	16,029	26,558	42,587	0.72
1994	147,753	97,787	49,966	19,108	26,665	45,773	1.09
1995	160,645	104,917	55,728	28,983	25,937	54,920	1.01
1996	151,468	101,592	49,876	23,473	24,782	48,255	1.03
1997	155,036	112,458	42,578	27,387	20,552	47,939	0.89
1998	154,537	107,328	47,209	24,173	18,968	43,141	1.09

(1) Includes Operating Revenues and Investment Income.

(2) Includes Operating Expenses Less Depreciation and Amortization and Write Off of Development Costs.

SOURCE: Connecticut Resources Recovery Authority Financial Statements

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State of Connecticut

Revenue Bond Coverage

Connecticut Higher Education Supplemental Loan Authority

Last Five Fiscal Years

(Expressed in Thousands)

			NET REVENUE				
		DIRECT	AVAILABLE	DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	OPERATING EXPENSES (2)	FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1994	$8,778	$1,083	$7,695	$5,630	$3,858	$9,488	0.81
1995	10,511	1,509	9,002	2,940	5,097	8,037	1.12
1996	11,525	1,795	9,730	3,970	4,939	8,909	1.09
1997	18,502	1,388	17,114	5,125	5,796	10,921	1.57
1998	15,469	2,040	13,429	5,995	5,670	11,665	1.15

(1) Includes Operating and Non-Operating Revenues and Principal Collections.

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses and Provision for Loan Losses.

SOURCE: Connecticut Higher Education Suplemental Loan Authority Financial Statements

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State of Connecticut

Revenue Bond Coverage

Connecticut Health and Educational Facilities Authority

Last Five Fiscal Years

(Expressed in Thousands)

			NET REVENUE				
		DIRECT	AVAILABLE	DEBT SERVICE REQUIREMENTS			
FOR THE YEAR ENDED JUNE 30,	GROSS REVENUES(1)	OPERATING EXPENSES (2)	FOR DEBT SERVICE	PRINCIPAL	INTEREST	TOTAL	COVER-AGE
1994	$180,915	$1,854	$179,061	$161,640	$84,867	$246,507	0.73
1995	148,045	1,716	146,329	36,257	108,203	144,460	1.01
1996	154,981	2,074	152,907	60,869	117,743	178,612	0.86
1997	189,355	1,860	187,495	146,615	132,867	279,482	0.67
1998	205,754	1,882	203,872	84,255	143,028	227,283	0.90

(1) Includes Operating and Non-Operating Revenues and Principal Collections.

(2) Includes Operating Expenses Less Depreciation, Amortization, Interest Expenses and Provision for Loan Losses.

SOURCE: Connecticut Health and Educational Facilities Authority Financial Statements

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State of Connecticut

Bank Deposits

Last Ten Fiscal Years

(Expressed in Thousands)

TOTAL AS OF	BANK DEPOSITS
1989	$67,747,035
1990	69,505,683
1991	44,897,318
1992	38,322,461
1993	55,532,661
1994	54,836,057
1995	53,640,331
1996	39,120,816
1997	38,936,046
1998	33,754,043

NOTES: Beginning in 1991 totals are as of 6/30, before 1991 totals were as of 12/31.
For the years 1993 -1996, bank deposits for credit unions were not included.
The reduction in deposits in 1996 can be attributed to out of state bank mergers: Deposits with banks not headquartered in Connecticut are no longer included.

SOURCES: Department of Banking

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State of Connecticut

Total Full-Time and Part-Time Employment and Earnings for Connecticut by Industry (1988 &1997)

INDUSTRY	EMPLOYMENT SHARE 1988	EARNINGS SHARE 1988	EMPLOYMENT SHARE 1997	EARNINGS SHARE 1997
Agriculture	0.77%	0.43%	1.10%	0.47%
Mining	0.15%	0.17%	0.09%	0.06%
Construction	5.78%	6.01%	4.79%	3.69%
Manufacturing	18.57%	26.31%	14.11%	21.74%
Transportation & Utilites	3.84%	4.86%	4.26%	4.95%
Wholesale Trade	4.58%	7.17%	4.47%	7.01%
Retail Trade	15.98%	9.76%	15.92%	8.08%
Finance, Ins. & Real Estate	11.58%	11.55%	9.55%	13.58%
Servics	27.19%	21.13%	34.44%	27.80%
Goverment	11.56%	12.61%	11.27%	12.62%

SOURCE: Bureau of Economic Analysis.

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State of Connecticut

Resident Total Nonfarm Payroll Employment and Employment Growth for the United States and Connecticut

(Seasonally Adjusted, Employment in Thousands)

YEAR	NONFARM PAYROLL EMPLOYMENT UNITED STATES	ANNUAL GROWTH IN EMPLOYMENT UNITED STATES	NONFARM PAYROLL EMPLOYMENT CONNECTICUT	ANNUAL GROWTH IN EMPLOYMENT CONNECTICUT
1989	108,692	1.88%	1,652.3	-1.20%
1990	108,965	0.25%	1,591.5	-3.68%
1991	108,121	-0.77%	1,536.1	-3.48%
1992	109,266	1.06%	1,520.1	-1.04%
1993	112,034	2.53%	1,533.8	0.90%
1994	115,879	3.43%	1,551.9	1.18%
1995	118,102	1.92%	1,565.6	0.88%
1996	120,901	2.37%	1,601.9	2.32%
1997	124,289	2.80%	1,642.6	2.54%
1998(Oct.)	126,508	2.38%	1,649.4	1.36%

SOURCE: Bureau of Labor Statistics.

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State of Connecticut

Percent of Resident Labor Force Unemployed

United States and Connecticut

(Seasonally Adjusted)

YEAR	UNITED STATES UNEMPLOYMENT	CONNECTICUT UNEMPLOYMENT
1989	5.4%	4.3%
1990	6.3%	5.7%
1991	7.3%	7.3%
1992	7.4%	6.9%
1993	6.5%	5.8%
1994	5.4%	5.4%
1995	5.6%	5.7%
1996	5.3%	5.7%
1997	4.7%	4.5%
1998(Oct.)	4.6%	3.8%

SOURCE: Bureau of Labor Statistics.

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State of Connecticut

Per Capita Personal Income for the
United States, New England and Connecticut
(Thousands)

YEAR	UNITED STATES	NEW ENGLAND	CONNECTICUT	PERCENT BY WHICH CONNECTICUT EXCEEDS U.S.	PERCENT BY WHICH CONNECTICUT EXCEEDS N.E.
1988	$17,038	$20,810	$23,699	39.09%	13.88%
1989	18,153	22,103	25,407	39.96%	14.95%
1990	19,156	22,742	26,453	38.09%	16.32%
1991	19,624	23,076	26,712	36.12%	15.76%
1992	20,546	24,142	28,305	37.76%	17.24%
1993	21,220	24,896	29,201	37.61%	17.29%
1994	22,056	25,918	30,269	37.24%	16.79%
1995	23,063	27,426	32,073	39.07%	16.94%
1996	24,169	28,826	33,835	39.99%	17.38%
1997	25,298	30,440	35,954	42.12%	18.11%

SOURCE: Bureau of Economic Analysis (REIS 9/98).

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State of Connecticut

Median Household Income and Growth Rates
for the United States and Connecticut
(In 1997 CPI-U Adjusted Dollars)

YEAR	UNITED STATES	PERCENT GROWTH UNITED STATES	CONNECTICUT	PERCENT GROWTH CONNECTICUT
1988	$36,937	-	$49,131	-
1989	37,415	1.29%	54,778	11.49%
1990	36,770	-1.72%	47,732	-12.86%
1991	35,501	-3.45%	49,675	4.07%
1992	35,047	-1.28%	46,721	-5.95%
1993	34,700	-0.99%	43,891	-6.06%
1994	34,942	0.70%	44,508	1.41%
1995	35,887	2.70%	42,382	-4.78%
1996	36,306	1.17%	43,085	1.66%
1997	37,005	1.93%	43,985	2.09%

SOURCE: Census Bureau.

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State of Connecticut

Connecticut Total Gross State Product Compared to the United States and the New England Region

(Expressed in millions of fixed-weight 1992 dollars)

YEAR	UNITED STATES	U.S. GROWTH RATE	NEW ENGLAND	N.E. GROWTH RATE	CONNECTICUT	CT GROWTH RATE
1987	$5,538,035	3.39%	$342,682	6.80%	$96,243	7.39%
1988	5,814,065	4.98%	363,180	5.98%	102,847	6.86%
1989	5,954,723	2.42%	369,326	1.69%	105,007	2.10%
1990	6,022,228	1.13%	360,154	-2.48%	105,003	0.00%
1991	5,987,840	-0.57%	349,325	-3.01%	102,048	-2.81%
1992	6,133,012	2.42%	353,141	1.09%	103,031	0.96%
1993	6,281,299	2.42%	359,265	1.73%	103,767	0.71%
1994	6,588,904	4.90%	372,876	3.79%	106,767	2.89%
1995	6,817,242	3.47%	386,789	3.73%	109,896	2.93%
1996	7,177,514	5.28%	405,806	4.92%	113,531	3.31%

SOURCE: Bureau of Economic Analysis (REIS 9/98).

Note: At writing 1996 was the last available year of actual data.

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State of Connecticut

Connecticut Population Statistics

(In Thousands)

YEAR	TOTAL POPULATION	PERCENT POPULATION UNDER AGE 5	POPULATION AGE 65 OR OVER	NET DOMESTIC MIGRATION**
1988	3,272	221	434	N/A
1989	3,283	227	441	N/A
1990	3,287	233	444	N/A
1991	3,288	236	451	(27.2)
1992	3,277	236	456	(40.5)
1993	3,273	235	461	(28.0)
1994	3,270	232	464	(27.0)
1995	3,267	226	467	(26.3)
1996	3,267	223	470	(20.5)
1997	3,270	217	470	(19.4)

SOURCE: U.S. Census Bureau.

** Net Domestic Migration represents the difference between annual population movement into and out of Connecticut where both the origin and destination are within the United States. Specific Net Domestic Migration data were not collected prior to the 1990 Census.

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State of Connecticut

Top Twenty Non-Government Employers

1997 RANK	1996 RANK	NAME	HEADQUARTERS	TOTAL CT EMPLOYEES 1997	1996
1	1	Stop & Shop	Quincy, MA	14,354	13,000
2	2	Pratt & Whitney	East Hartford, CT	12,000	12,542
3	4	Aetna Life & Casualty	Hartford, CT	10,732	9,732
4	6	The Hartford Group	Hartford, CT	10,300	9,500
5	3	Foxwoods Resort Casino	near Ledyard, CT	10,179	10,135
6	7	SNET	New Haven, CT	9,740	8,846
7	5	Yale University	New Haven, CT	9,271	9,589
8	9	Sikorsky Aircraft	Stratford, CT	7,650	7,500
9	10	Travelers Group Inc.	New York, NY	7,600	7,491
10	8	Electric Boat	Groton, CT	7,500	8,750
11	14	Northeast Utilities	Berlin, CT	6,393	6,000
12	12	Yale-New Haven Hospital	New Haven, CT	6,000	6,200
13	15	Pitney Bowes Inc.	Stamford, CT	6,000	6,000
14	11	Hartford Hospital	Hartford, CT	5,981	6,500
15	14	Fleet Financial Group	Boston, MA	5,944	5,414
16	18	General Electric Co.	Fairfield, CT	5,900	5,400
17	16	Hamilton Standard	Windsor Locks, CT	5,900	5,665
18	13	CIGNA Corp.	Philadelphia, PA	5,800	5,976
19	19	Mohegan Sun Casino	Montville, CT	5,800	5,096
20	20	J.C. Penny	Plano, TX	4,000	4,000

SOURCE: The Hartford Courant (dated 6/1/98).

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State of Connecticut

Connecticut State Rankings on Various Statistical Measures

CT TOP TEN RANKINGS

Per Capital Income - 1997	(Rank 1, $35,954)
Average Earning Per Job - 1997	(Rank 1, $39,435)
Teachers' Average Salary - 1995	(Rank 1, $50,254)
Median Four - Person Family Income - 1995	(Rank 1, $62,157)
Persons Per Square Mile - 1995	(Rank 4, $678.5 persons)
Doctors Per 100,000 Persons - 1995	(Rank 4, 334 ratio)
Auto Insurance Costs - 1995	(Rank 5, $841 per vehicle)
Population Age 65 and Over - 1996	(Rank 9, 14.3% of population)

CT BOTTOM TEN RANKINGS

Persons Below Poverty Level - 1995	(Rank 40, 9.7%; note: child poverty rate is higher at 17.8%)
Population Age 18 and Younger - 1996	(Rank 43, 24.4% of population)
Motor Vehicle Deaths - 1995	(Rank 46, 1.1 per 100 million vehicle miles)
Energy Consumption Per Person - 1995	(Rank 46, 243.4 BTUs)
Births to Teenage Mothers - 1996	(Rank 47, 8.2%)

SOURCES: 1998 Statistical Abstract of the United States, and updated information from the Bureau of Economic Analysis.

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State of Connecticut

Major Revenue Sources - General Fund

Last Ten Fiscal Years

(Millions)

FISCAL YEAR	SALES & USE TAX	% OF TOTAL REVE-NUE	PERSONAL IN-COME TAX	% OF TOTAL REVE-NUE	CORP-ORA-TION TAX	% OF TOTAL REVE-NUE	CAPITAL GAINS TAX	% OF TOTAL REVE-NUE
1989	2,097.5	38.1%	-	-	870.0	15.8%	508.7	9.2%
1990	2,479.0	40.6%	-	-	794.1	13.0%	624.7	10.2%
1991	2,417.8	41.6%	-	-	669.0	11.5%	520.5	8.9%
1992	2,080.2	28.2%	1,976.6	26.7%	641.4	8.7%	-	-
1993	2,056.2	27.2%	2,392.0	31.6%	715.2	9.4%	-	-
1994	2,181.4	27.6%	2,517.7	31.8%	703.5	8.9%	-	-
1995	2,368.1	27.9%	2,589.9	30.6%	724.7	8.6%	-	-
1996	2,460.1	27.0%	2,879.4	31.6%	748.1	8.2%	-	-
1997	2,611.5	27.3%	3,110.9	32.5%	677.9	7.1%	-	-
1998	2,772.1	27.3%	3,596.2	35.5%	663.7	6.5%	-	-

NOTES: Effective in 1992, the Capital Gains Tax became an integral part of the newly implemented Personal Income Tax. Gross Revenues Including Statutory Accruals.

SOURCE: Annual Report of the State Comptroller (Schedule B-2)

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State of Connecticut

Sales and Use Tax - Major Industrial Categories

June 30, 1998

(Millions)

INDUSTRY	TAX	PERCENT
Manufacturing	$170.8	6.5%
Wholesale	130.5	5.0%
Retail:		
Hardware	72.3	2.8%
General Merchandise	139.4	5.3%
Food Products	85.3	3.3%
Auto Products	304.1	11.7%
Apparel	43.3	1.7%
Home Appliances & Furnishings	170.2	6.5%
Eating & Drinking Establishments	154.9	5.9%
Miscellaneous Shopping Stores	271.1	10.4%
Business	580.8	22.3%
All Other Businesses	487.6	18.7%
Total Sales & Use Tax	$2,610.3	

NOTE: The figures shown are based on returns filed on a timely basis and do not include audits or late returns.

SOURCE: Department of Revenue Services

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State of Connecticut

Miscellaneous Statistics

June 30, 1998

Date of Ratification	January 9, 1788
Form of Government	Legislative - Executive - Judicial
Miles of State Highway	4,096
Land Area	5,009 Square Miles
State Police Protection:	
Number of Stations	12
Number of State Police	1,021
Higher Education (Universities, Colleges and Community Colleges):	
Number of Campuses in State	26
Number of Educators	3,431
Number of Students	96,336
Recreation:	
Number of State Parks	91
Area of State Parks	31,729 Acres
Area of State Forests	144,768 Acres
Employees:	
Full-Time	49,884
Part-Time (Permanent)	2,531

SOURCE: Connecticut State Register and Manual

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State of Connecticut

Office of the State Comptroller Organization

Nancy Wyman
State Comptroller

Mark E. Ojakian
Deputy Comptroller

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Bernard McLoughlin
Director

ACCOUNTS PAYABLE DIVISION
Mark Aronowitz
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RETIREMENT & BENEFIT SERVICES DIVISION
Steven Weinberger
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